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WORLD AGRICULTURAL Situation



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NATIONAL AGRICULTURAL OUTLOOK CONFERENCE

U.S. DEPARTMENT
OF AGRICULTURE

WASHINGTON,
D.C.

NOVEMBER
15-18, 1976

Note: Unless stated otherwise, split years (e.g., 1975/76) mean July/June. Fiscal 1976 means July 1975/June 1976. Tons are metric and dollars are U.S. unless otherwise specified.

THE WORLD AGRICULTURAL SITUATION

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SUMMARY

Recent reductions in grain production estimates for Western Europe, Eastern Europe, and the United States have not seriously altered forecasts of a general easing of tight world food supplies.

Although the impact of drought on European feed and forage crops is forcing increased grain imports and adjustments in their livestock industries, the USSR's agricultural performance is much improved over last year and North American output is likely to be up despite drought in some areas.

The developing countries are generally experiencing the second consecutive year of goods crops, although erratic rainfall at the end of the Asian monsoon could blunt advances there. These gains have permitted some rebuilding of stocks and some recovery in consumption from recent depressed per capita levels.

U.S. agricultural exports in fiscal 1977 are expected to about equal the \$22.15 billion shipped in fiscal 1976. While export volume is likely to decline because of generally improved crops around the world, prices are expected to be stronger for soybeans, natural fibers, and oilmeal. The quickened pace of growth in the world economy also should stimulate U.S. farm exports.

World wheat, milled rice, and coarse grain production forecast for 1976/77 is up 5 percent to a record level matching the 15-year trend, following 2 years of mediocre or poor crops. A 1.5-percent increase in harvested area and generally favorable weather are largely responsible for the increase.

Grain consumption, however, is expected to grow less rapidly than production in 1976/77 due largely to relatively unfavorable livestock-feed price ratios in many of the developed countries. Only the European Community and the Soviet Union are now expected to increase feeding substantially. The bulk of increases in consumption of food grains will be in the low income countries—particularly the developing market economies of Africa and Asia—but despite increases in per capita intake there, per capita levels will still likely lag behind previously achieved modest peaks.

World trade in grain is expected to fall off somewhat because of better crops in the USSR and a number of developing market economies of Africa

and Asia despite some drought-induced increases in imports into Western and Eastern Europe.

World carryover stocks of wheat, milled rice, and coarse grains could increase as much as two-fifths at the end of 1976/77 to about 144 million tons—about 10 to 12 percent of projected annual world consumption. Many grain importing countries appear to be making a greater effort than in the past to build up stocks, although the major exporters will still carry by far the largest share.

Production of most oilseeds rose substantially during the 1975/76 marketing season, particularly of soybeans whose output increased sharply in the United States. Global production records were achieved for fats and oils and for high protein meals. World trade in these products also increased substantially. Prospects for 1976/77 oilseed production are varied; U.S. soybean and Canadian rapeseed output are expected to be down, while Brazilian soybeans and Malaysian palm oil will likely reach new record highs.

ECONOMIC RECOVERY PROCEEDS

The economic recovery in the developed countries continues (table 1). But the severe recession with unusually high prices that the developed countries recovered from this year has made policymakers extremely cautious in the management of demand for the encouragement of faster growth that might add to inflationary pressures. This attitude was expressed by leaders of Canada, France, Germany, Japan, the United Kingdom, and the United States in a Joint Declaration following June 27-28 discussions in Puerto Rico. The Declaration stated, in part, the resolution of countries to "manage effectively, a transition to expansion which will be sustainable, which will reduce the high level of unemployment which persists in many countries, and will not jeopardize our common aim of avoiding a new wave of inflation." Real output in the OECD (Organization for Economic Cooperation and Development) countries is expected to average about 5 percent in fiscal 1977.

There are already important indications that a close watch on inflationary indicators is necessary (table 2). In the first 6 months of 1976, consumer prices rose at nearly a 7-percent annual rate in the seven major OECD countries, about 1 percentage point more than in the preceding 6 months. A sudden and prolonged upturn in prices could well trigger a loss of consumer confidence. The result would be a decrease in consumer spending, a very important factor in this recovery.

Private consumption as an indicator of consumer confidence has been closely watched in this recovery. Private consumption turned up in the

World trade in meat continues restricted in the face of rising production in major beef exporting countries of the Southern Hemisphere. With slaughter rates increasing, herd numbers are either leveling off or declining there, as in the United States where a cyclical downswing in cattle inventories is underway. The European Community—once the world's largest beef importing region—is less likely to expand imports than expected earlier this year because of a cyclical high in beef output and drought-induced increases in slaughter that have resulted in government measures to support domestic beef prices.

Cotton consumption is expected to exceed world production in 1976/77 despite a 10 to 12-percent recovery in output. World cotton stocks should therefore decline for the second year in a row, but still amount to more than one-third of anticipated 1976/77 consumption. Usage of cotton is slowing because of high prices, lower availabilities, and competition from man-made fibers.

United States, Japan, and Germany in the second half of 1975. This upturn stimulated imports from other European countries and Canada by the end of 1975. The resulting export stimulus helped the lagging pace of recovery for some of these other countries.

Last year's downturn in imports was instrumental in achieving a record-breaking U.S. trade surplus. In comparison, this year's increase in private consumption is stimulating imports. The result will be a trade deficit for the United States but an encouraging boost to other countries' trade. Overall, trade account projections (table 3) for the developed countries indicate a large cyclical swing from the \$18 billion surplus in 1975 to a \$3 billion surplus for 1976. In 1974, the first year of high oil prices, these same countries experienced a \$9-billion deficit.

The developing countries which do not export oil appear to have better fiscal 1977 prospects for several reasons: (1) Prices for many of their primary export commodities are recovering from last year's slump (table 4); (2) prospects are good for grain production in many of them; and (3) they have so far managed to find financing for their trade deficits, although often at undesirable terms. Real GNP is expected to rise on the average by 4 percent in these countries in fiscal 1977.

The Soviet Union continues to face unusually large hard-currency deficits in 1976, as it did in 1975 when the deficit was estimated to be over \$6 billion. The deficit stemmed from (1) grain imports

Table 1--Industrial Production Indices in Selected Economies--Seasonally Adjusted, Percent Change

Country	3 months	1 year <u>1/</u>
Belgium	14.4	22.8 (4)
Canada	3.2	4.8 (4)
France	1.6	8.9 (4)
Germany	0.0	9.7 (5)
Italy	8.2	9.0 (4)
Japan	4.9	13.9 (5)
Netherlands	0.0	5.3 (5)
Sweden	0.0	-6.0 (4)
United Kingdom	1.0	0.6 (4)
United States	1.3	15.8 (6)

1/ Number in parentheses indicates month of indicator for both data columns.

Source: IMF, International Financial Statistics, August 1976.

Table 2--Consumer Price Increases in Selected Major Economies - Percent 1/

Country	3 months	1 year <u>2/</u>
Belgium	1.8	9.4 (6)
Canada	1.7	7.8 (6)
France	2.4	9.5 (5)
Germany	1.3	4.5 (6)
Italy	6.8	16.7 (5)
Japan	2.8	19.4 (5)
Netherlands	2.5	9.4 (6)
Sweden	2.6	11.1 (5)
United Kingdom	3.6	15.4 (5)
United States	1.6	5.9

1/ Not seasonally adjusted.

2/ Number in parentheses indicates month of indicator for both data columns.

Source: IMF, International Financial Statistics, August 1976.

Table 3--Summary of Payment Balances on Current Account, in billions of U.S. dollars 1/

	1973	1974	1975	1976 (Projection) <u>2/</u>
Major oil exporters <u>3/</u>	6	67	35	40
Industrial countries <u>4/</u>	12	-9	18	3
Non-oil primary producing countries				
More developed <u>5/</u>	1	-14	-14	-10
Less developed <u>6/</u>	-10	-29	-37	-32
Total <u>7/</u>	9	15	1	--

1/ Goods, services, and private transfers.

2/ The 1976 projections are subject to considerable uncertainty and should be viewed as rough orders of magnitude.

3/ Comprise all OPEC member countries except Ecuador and Gabon.

4/ All OECD member countries except those OECD member countries included in footnote 5.

5/ Comprise Australia, Finland, Greece, Iceland, Ireland, Malta, New Zealand, Portugal, Romania, South Africa, Spain, Turkey, and Yugoslavia.

6/ Comprise IMF member countries not listed in preceding categories.

7/ Reflects balances of countries covered here with nonexporting countries, plus (quantitatively more important) statistical errors and asymmetries.

Source: IMF, Annual Report Draft, July 1976.

Table 4--Price Changes of Selected Raw Materials - Percent

Commodity	3 months	1 year <u>1/</u>
Bananas	12.1	14.5 (3)
Bauxite	11.3	12.1 (3)
Cocoa	51.9	75.0 (6)
Coffee	48.5	144.9 (6)
Fishmeal	8.9	50.4 (5)
Nickel	0.0	9.4 (6)
Phosphate Rock	-10.2	-35.3 (5)
Rubber	15.5	40.5 (4)
Sugar	-11.6	-29.6 (6)
Tea	20.6	11.8 (6)

1/ Number in parentheses indicates month of indicator for both data columns.

Source: IMF, International Financial Statistics, August 1976.

because of 1975's disastrous crop, and (2) large nonagricultural purchases. Strengthening of the world economic situation should also affect the demand for Soviet exports, and better harvests this year may help decrease agricultural imports. How-

ever, recently set goals of increasing consumption of grains and meat point to a continuation of large wheat and corn imports. East European countries also are facing worrisome trade deficits this year. (A. Vellianitis-Fidas)

WORLD PRICE DEVELOPMENTS

In August 1976, prices of many agricultural commodities declined as prospects for a generally good harvest came into view. The August Gulf port price for wheat averaged \$3.47 a bushel, 20 percent lower than a year ago and 11 percent lower than a month earlier.

The July U.S. Gulf port price for corn (No. 3 yellow) averaged \$3.00 a bushel, 5 percent lower than a month earlier and 7 percent lower than a year ago.

In contrast, soybeans prices have surged in recent months in response to a developing tight situation in the 1976/77 marketing year resulting from a short 1976 soybean crop. In August the Gulf port soybean price (No. 2 yellow) averaged \$6.59, per bushel, 4 percent higher than a year ago but 7 percent lower than a month ago when prices were bid-up sharply.

Coffee prices at \$1.48 a pound (New York spot price, Santos no. 4) are at a record level. The poor 1976 Brazilian coffee crop will be influencing coffee prices well through 1977.

International soybean meal, cocoa bean, and cotton prices are all nearly 50 percent higher than a year ago, while imported cow meat and rubber prices are one-third and 14 percent higher, respectively. Rice is about one-fourth less and sugar one-third less.

This price situation is developing after the close of the 1975/76 fiscal year when international prices were, with few exceptions, lower than they had been the year before.

Farm Prices

U.S. farm prices, at an index of 187 (1967=100) in August, were down 4 percent from a month earlier and from a year ago. Contributing most to the July-August decrease were lower prices for meat animals, food and feed grains, and oil bearing crops. Crop prices were mostly lower because of current or pending harvests. All the grains and broilers were priced lower than they were a year ago, and cattle were nearly the same, while cotton, wool, tobacco, soybeans, deciduous fruits, hogs, and eggs were all priced higher. Table 5 compares U.S. farm prices with those of selected countries.

Canadian farm prices in May 1976 were 3 percent lower than they were a year earlier. Livestock prices and crop prices had both declined.

In June 1976, Japanese farm prices were 16 percent higher than they were a year earlier. Wheat and rice were priced 10 percent and 14 percent higher while meat animal prices were 13 percent higher at the farm level.

Throughout the spring quarter of 1976, farm level prices in the European Community (EC) were on the upswing in both the crop and livestock sectors. Potatoes experienced the sharpest price hike because poor growing conditions led to a sharp decline in production. Hog prices were also strongly on the upswing throughout the EC. While beef prices were generally higher than a year ago, they did not increase so rapidly as hog prices. Egg prices also were higher than they were a year ago. Grain prices made their largest gains in Italy, Denmark, and the United Kingdom (U.K.).

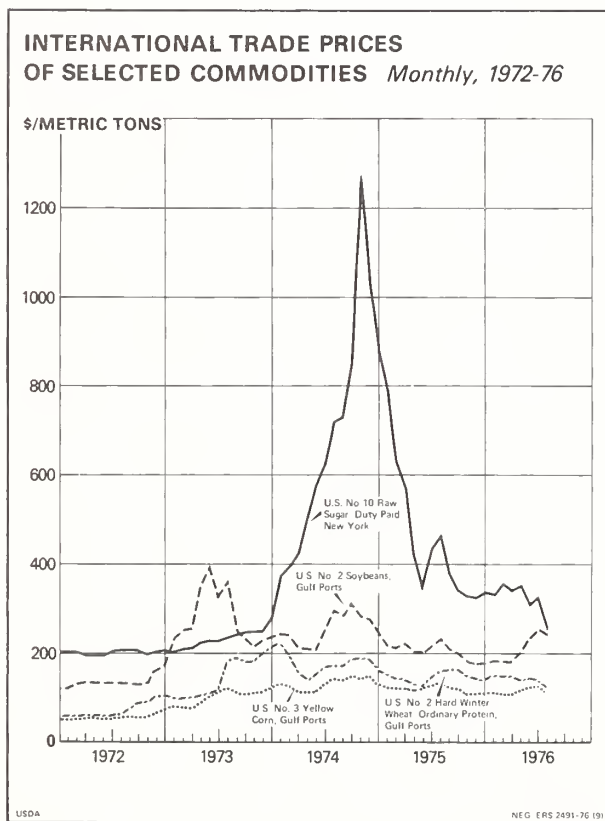


Table 5--Index of prices received by farmers in selected countries

Country	1972				1973				1974				1975				1976			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
	1970 = 100																			
Australia	110	166	159	150	174	163	150	149	148	147	149	157								
Belgium	107	122	114	129	121	113	108	114	120	128	133	138	145							
Canada	110	165	197	196	198	199	190	184	189	198	202	194	192							
France	118	132	136	146	134	132	133	141	139	143	149	154								
Germany	121	125	122	135	122	116	115	120	122	129	138	146								
Ireland	109	170	172		170	175	165	179	209	217	277									
Italy	116	145	161		162	160	164	175	179	185	188	196								
Japan	107	132	160	173	142	138	152	163	170	171	167	188	195							
Korea	148	164	216		193	215	218	225	241	253	275									
Netherlands	109	122	115		121	116	111	112	118	126	130	138								
New Zealand	123	173	156		176	162	151	137	129	132	140	159	166							
Norway	107	113	123	142	114	114	132	135	129	130	153	157								
Portugal	114	130	146	162	147	144	135	152	152	157	159	180								
Spain	125	141	153	177	144	160	146	159	164	182	176	183	189							
Sweden	112	123	134	150	130	130	135	137	143	144	154	159	163							
United Kingdom	113	146	166		167	153	160	182	185	193	198									
United States	115	156	167	165	183	180	165	165	154	161	172	171	169							
Yugoslavia	110	124	161		n.a.	n.a.	170	180	188	194	200	202	204							

Source: Adapted from data in Food and Agricultural Organization of the United Nations, *Monthly Bulletin of Agricultural Economics and Statistics*, May 1976.

Prices of Agricultural Inputs

Input prices continued to rise in nearly every country. The index of prices paid by U.S. farmers for commodities and services, interest, taxes, and farm wages for August was 195, down one-half percent from July, but 6 percent above a year earlier. Nearly every item in the index increased since last year, with feeder livestock and interest costs increasing the most.

Product-feed price relationships for hogs, broilers, and turkeys were generally less favorable to livestock production than in August 1975. But they were still above ratios 2 year ago. Milk-feed price ratios continued favorable to increased feeding.

Canadian farm input prices, much like U.S. input prices, have been increasing at a slow rate during the past 6 months, following a gain of 6 percent from the first quarter of 1975 to the first quarter of 1976. The index of fertilizer prices declined 6 percent while the index for petroleum products increased 28 percent. Livestock feed prices declined 3 percent while feeder cattle prices rose 13 percent. For hogs, however, the hog-barley price ratio, indicating profitability of hog feeding enterprises, had declined from June 1975 to June 1976.

In the EC, price hikes for many inputs slowed from first-quarter 1975 to first-quarter 1976. Soybean meal prices rose most, while grains steadied in nearly every country except the U.K. Even though EC cattle and hog prices have generally risen from a year ago, rising feed costs have lowered profitability of livestock enterprises during the same period. Final prices have risen while fertilizer prices have been mixed.

Japanese farm input prices this June were 6 percent higher than in June 1975. Feeder livestock was priced 16 percent higher than a year earlier while livestock feed was 3.5 percent lower. Agricultural chemicals and fertilizer were respectively priced 3 percent and 7 percent higher than a year ago. Livestock-feed ratios were improving for all categories of livestock compared with a year ago, with beef-feed price ratios improving the most.

Export and Import Prices

The index of U.S. agricultural export prices (unit values) has remained nearly steady since December 1975. In June, the index of 205 (1967=100) was 2 percent lower than a year earlier, with export unit values down 4 percent for wheat, 3 percent for corn, and 6 percent for soybeans. Soy-

bean oil was exported at 62 percent of the unit value of a year earlier. Tobacco and rice were also priced lower than a year ago, but prices were up for grain sorghum, soybean meal, cotton, tallow, and cattle hides.

In June 1976, the index of U.S. import prices (unit values) at 213 (1967=100) was 6 percent higher than a year ago largely because of an 80-percent increase for coffee. Other gainers were beef and veal, hams, rubber, cocoa beans, bananas, wines, tobacco, dutiable cattle, and wool. Sugar and tomatoes were lower.

In May the price index of Japan's imported foodstuffs stood 15 percent higher than a year earlier, its highest level since July 1974. Increases for fish, coffee, bananas, and meat (up 14 percent) more than offset lower prices for wheat, corn, sugar and cocoa beans. Prices of imported wool, cotton, rubber and tallow strengthened while jute and soybean prices declined.

In May, West German agricultural import prices were 12 percent higher than a year earlier. Prices of imported beef fell, pork prices strengthened, and soybeans were little changed from a year ago. Imported soybean meal was priced 41 percent higher than in May 1975 while wheat (other than durum) and corn were priced 10 percent higher.

Consumer Food Prices

In the United States, the July consumer price index (CPI) for food, at 182 (1967=100), was 2 percent higher than a year earlier, after remaining nearly constant throughout the year. This is a marked change from 1972-74 when food prices were increasing at a rapid rate. From the first quarter of 1975 to the first quarter of 1976, the United States had a very slow price rise for food compared with other countries. Bangladesh and India, with improved food crops, have had declining food prices (table 6). Iran has also experienced slightly declining prices as it has sought to control its general inflation.

In contrast, food prices in Uruguay and Brazil rose at a rate of nearly 30 percent during the same period and Argentina and Chile have had galloping food price inflation at rates of over 300 percent and 400 percent, respectively.

Austria, Canada, Denmark, West Germany, Japan, Netherlands, Pakistan, Paraguay, Philippines, and Venezuela have had food prices rising at a rate slightly higher than the United States. (*H. Christine Collins*)

Table 6 --The food component of the consumer price index in selected countries

Country	1972	1973	1974	1975	1974				1975				1976
					I	II	III	IV	I	II	III	IV	
----- 1970=100 -----													
Argentina	: 231	359	413	1,187	373	389	410	479	575	711	1,384	2,079	---
Australia	: 108	124	143	154	138	143	147	146	148	153	155	160	---
Austria	: 110	118	128	136	125	127	130	131	133	135	139	139	142
Bangladesh	: 148	147	248	300	178	204	266	347	347	299	291	264	241
Belgium	: 109	117	128	143	123	127	131	133	136	140	145	150	156
Cameroon	: 114	123	146	171	135	142	149	159	166	167	175	176	---
Canada	: 109	125	145	164	136	142	148	153	156	160	169	170	168
Colombia	: 128	169	215	281	194	215	212	238	272	298	276	279	298
Czechoslovakia	: 99	100	100	100	99	100	100	100	100	100	100	100	100
Denmark	: 116	131	147	163	140	144	148	155	158	162	168	164	172
Ecuador	: 118	142	188	223	166	192	192	204	219	224	222	229	---
Egypt	: 108	116	135	152	127	135	136	143	144	150	151	162	---
Ethiopia	: 88	99	108	113	106	110	108	107	103	110	117	121	133
France	: 115	126	141	156	134	139	142	146	149	154	158	162	166
Germany, West	: 110	118	124	130	122	124	124	125	127	131	131	131	135
Greece	: 109	133	169	190	163	170	169	175	184	190	183	200	212
India	: 108	131	171	---	149	164	183	188	182	183	179	171	158
Indonesia	: 113	162	229	---	217	229	227	244	259	268	278	302	320
Iran	: 116	124	144	162	135	147	144	148	165	176	154	149	157
Ireland	: 120	140	160	195	149	157	163	173	183	183	195	201	---
Israel	: 123	149	215	314	196	208	205	253	298	314	308	338	353
Italy	: 111	124	146	172	134	140	149	160	166	170	174	179	185
Japan	: 110	124	159	180	150	155	161	169	174	178	180	186	190
Jordan	: 118	140	180	219	183	201	181	191	211	226	204	233	282
Korea	: 135	138	176	232	164	171	183	188	203	227	244	255	259
Liberia	: 91	118	149	---	137	144	160	156	168	171	---	---	---
Malawi	: 116	124	144	172	140	139	147	151	166	168	168	185	187
Malaysia	: 105	121	154	159	148	151	154	160	163	157	158	---	---
Mexico	: 108	126	164	184	154	161	167	173	176	182	189	191	197
Morocco	: 112	118	141	152	138	140	140	147	149	150	152	156	---
Mozambique	: 130	127	156	---	148	150	160	163	172	174	---	---	---
Netherlands	: 111	120	129	140	126	126	129	133	135	137	140	143	147
New Zealand	: 114	127	142	157	137	140	144	146	147	153	160	168	174
Niger	: 123	144	148	160	145	144	154	148	152	156	164	168	175
Nigeria	: 128	125	150	214	143	153	153	153	179	214	228	237	---
Pakistan	: 110	138	180	221	163	172	180	197	207	222	226	228	223
Paraguay	: 121	147	183	192	192	183	178	180	187	183	195	201	203
Peru	: 115	126	150	---	138	147	155	160	180	180	196	---	---
Philippines	: 157	164	237	253	211	233	252	253	256	250	251	257	268
Poland	: 100	102	113	114	108	112	118	114	113	114	114	115	---
Portugal	: 120	131	173	214	153	165	181	193	203	211	216	226	250
Rep. of South Africa	: 112	129	140	171	137	142	154	161	166	168	174	176	---
Spain	: 118	132	152	177	142	148	154	162	168	174	183	184	192
Sri Lanka	: 108	122	139	150	133	135	141	147	149	150	150	149	149
Sweden	: 119	126	134	150	132	130	133	139	142	146	154	158	162
Thailand	: 197	122	157	163	143	160	162	165	160	163	164	168	---
Turkey	: 127	152	181	235	163	173	189	198	221	237	236	247	260
United Kingdom	: 121	139	164	206	156	162	164	174	188	206	211	219	234
United States	: 108	123	141	153	137	139	142	146	149	150	155	157	157
Uruguay	: 241	489	844	1,422	667	728	868	1,111	1,268	1,328	1,459	---	1,636
Venezuela	: 109	117	132	151	122	122	138	144	146	149	152	157	157
Yugoslavia	: 139	169	196	252	194	202	200	214	232	249	256	271	---
Zaire	: 133	155	202	---	196	204	199	210	220	242	261	---	---
Zambia	: 112	119	130	---	128	129	130	132	137	142	148	---	---

Source: International Labor Office, Bulletin of Labor Statistics.

WORLD FERTILIZER MARKETS REMAIN WEAK

Fertilizer prices in most world markets have fallen to relatively low levels since the beginning of 1975, largely because of reduced growth in fertilizer consumption in many countries. However, some signs of modest price increases have occurred recently. Inventories remain high in several major fertilizer importing countries, and it is not clear how rapidly world fertilizer import demand will increase over the next few years.

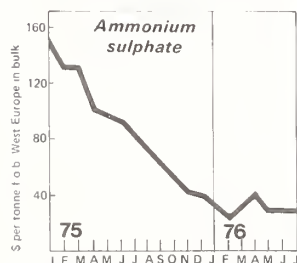
U.S. demand for fertilizer has recently shown signs of strengthening. July producer inventories for most products were down from their highs of 1975, although they still appeared well above the low 1973 and 1974 levels. Preliminary estimates for 14 States, where fertilizer demand was very weak, show total 1975/76 fertilizer shipments up substantially over the previous year when consumption fell by 9 percent.

In Europe, demand is still somewhat weak, although it has risen slightly from its low of a few months ago. Surplus stocks still exist and production is sharply restricted. Some Asian countries also hold surpluses, and import controls stifle buy-

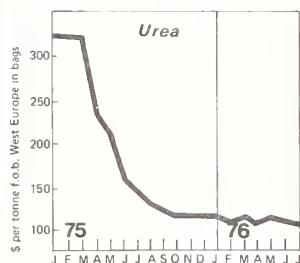
ing. Recent reports from India, currently the world's largest net importer of fertilizer, indicate relatively little need for fertilizer imports in the short term because of increasing domestic fertilizer production and generally unfavorable fertilizer-crop price ratios. In contrast, South American fertilizer markets are showing signs of recovery, with inventories generally at reasonable levels or falling.

Uncertainties still remain as to the outlook in the near term, such as how fast import demand will rise as fertilizer stocks decrease, especially in some of the larger importing developing countries. Another question is how rapidly the expected new fertilizer plant capacity, much of it in the developing countries, will come on stream. But in general, world fertilizer plant capacity is still expected to grow faster than demand in the next few years according to recently revised projections by the FAO/UNIDO/World Bank Fertilizers Working Group (table 7). Nitrogen capacity, for example, is expected to grow by over 17 percent between now and mid-1978. According to recent esti-

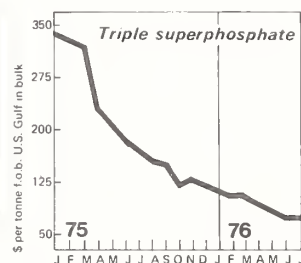
RECENT INTERNATIONAL PRICE TRENDS FOR PRINCIPAL FERTILIZERS



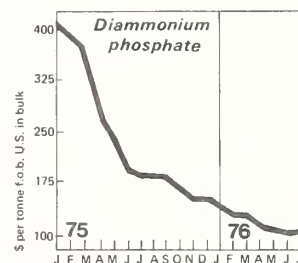
Relatively stable prices in Europe but aggressive selling from Japan where prices are now below \$30 per tonne f.o.b. for bulk product



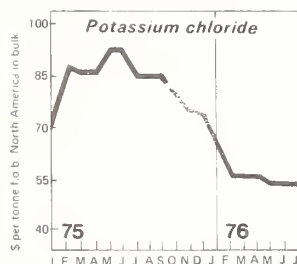
West European prices are weakening under pressure from East Europe and Persian Gulf where f.o.b. prices well below \$100 per tonne, bagged, are offered



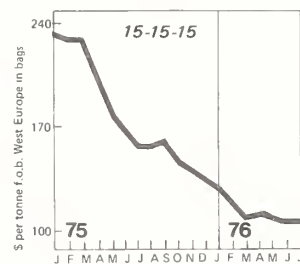
Prices have not altered much in recent weeks but the market remains weak



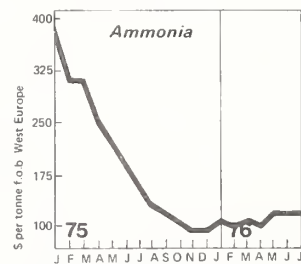
Following lowest prices in Donatim tender (<\$95) the market has reaffirmed its price idea of around \$100.



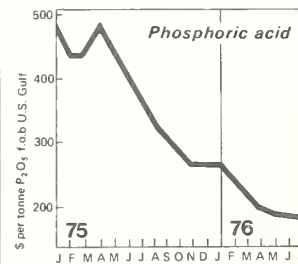
There have been indications of some firming in prices although there is still a marked imbalance of supply over demand



Prices of compounds reached a low under the Venezuelan tender and since then there have been no signs of any firming in the market



U.S. product now becoming available for export but there is limited product in West Europe which has helped firm prices in this area



The phosphoric acid market reflects the weak demand for solid product, Tunisian acid undercutting other suppliers in Europe

Source: British Sulphur Corporation, Fertilizer International, No. 86, August 1976, p. 5.

Table 7--Revised Estimate of World Fertilizer Supply, Consumption and Balance, 1974/75 to 1980/81
(million metric tons of nutrient)

|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|

Source: 1974/75 from FAO, Monthly Bulletin of Agricultural Economics and Statistics, Vol. 25, No. 3, March 1976.
1975/76 to 1980/81 are revised estimates from FAO, "Longer-Term Fertilizer Supply/Demand Position and Elements of a World Fertilizer Policy," AGS:F/76/2, May 1976, Commission on Fertilizers, Second Session, Rome, June 8-11, 1976, based on estimates by the FAO/UNIDO/World Bank Working Group on Fertilizers, April 1976.

Table 8--Revised Estimates of Fertilizer Production Capacity, 1974/75 to 1980/81
(million metric tons of nutrient)

	NITROGEN					
	1974/75	1975/76	1976/77	1977/78	1978/79	1979/80 : 1980/81
Total Developed Market Economies	34.22	35.27	36.79	39.12	40.33	41.3 41.63
Total Developing Market Economies	8.64	9.58	10.88	14.0	18.69	20.41 21.75
Total Centrally Planned Economies	27.34	30.24	32.87	34.86	37.13	40.22 40.77
Total World	70.19	75.09	80.54	87.98	96.15	101.93 104.15
PHOSPHATE						
Total Developed Market Economies	14.98	15.57	16.77	17.0	17.72	18.02 18.02
Total Developing Market Economies	2.79	3.44	4.53	4.98	5.33	6.83 7.22
Total Centrally Planned Economies	3.96	4.55	4.77	4.97	5.08	5.41 5.41
Total World	21.74	23.65	26.16	27.04	28.22	30.26 30.65
POTASH						
Total Developed Market Economies	17.17	17.19	17.61	18.09	18.3	18.53 18.99
Total Developing Market Economies	0.32	0.32	0.38	0.43	0.48	0.48 0.58
Total Centrally Planned Economies	11.1	13.3	13.55	13.6	13.7	14.75 14.85
Total World	28.59	30.81	31.54	32.12	32.48	33.76 34.42

Source: FAO, "Longer-Term Fertilizer Supply/Demand Position and Elements of a World Fertilizer Policy", AGS/F/76/2, May 1976, Commission on Fertilizers, Second Session, Rome, June 8-11, 1976, based on estimates by the FAO/UNIDO/World Bank Working Group on Fertilizers, April 1976.

mates—assuming attainably high operating rates and adequate fertilizer feedstock—potential supply is expected to exceed consumption substantially for all three nutrients through the late 1970's (table 8).¹

¹The Working Group's projections are generally consistent with earlier Economic Research Service studies: *World Fertilizer Review and Prospects to 1980-81*, FAER 115, February 1976 and *The World Fertilizer Situation: 1975, 1976 and 1980*, WAS-5 Supplement, October 1974.

Problems also exist in the world phosphate market, where world prices for phosphate rock are still somewhat high relative to low phosphate fertilizer product prices. The timing and the extent of the takeover of Canadian potash facilities by the Saskatchewan government is still uncertain. Negotiations evidently are in progress, but the situation has reportedly affected private sector investment decisions necessary to increase future capacity and efficiency. (Richard B. Reidinger and Kathryn Kayser)

U.S. AGRICULTURAL TRADE²

During fiscal 1976 (July 1975-June 1976), U.S. agricultural exports and imports reached record-high values for the sixth consecutive year. The U.S. balance of agricultural trade totaled \$12 billion, leading the way to a total U.S. trade surplus of \$4 billion. While agricultural imports continue to expand, U.S. farm exports may drop slightly in fiscal 1977 (October 1976-September 1977); thus, the U.S. agricultural trade surplus could fall closer to \$10 billion.³

Record-High Fiscal 1976 Exports

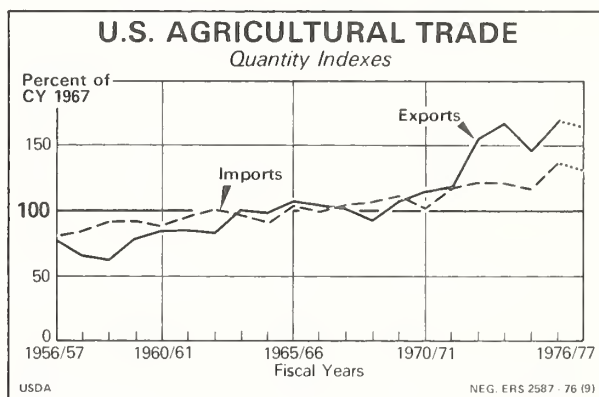
U.S. agricultural exports reached \$22.15 billion in fiscal 1976, a half-billion dollars above a year earlier. Expanded volume more than offset lower prices. The export volume index rose substantially above 1975, to 167 (calendar 1967=100), compared with the previous high of 165 in 1974. Record volumes were recorded for corn, soybeans, pork, cattle hides, burley tobacco, and fresh and dried fruits (table 9).

The largest factor boosting fiscal 1976 farm exports was the striking growth in grain shipments to the Soviet Union following the disastrous 1975 harvest there. The United States exported 14 million tons of grain to the USSR in fiscal 1976, and total shipments there of agricultural products were valued at about \$2.0 billion (table 10).⁴ The USSR outstripped Japan as the largest market for

²This section is based partly on the more detailed review contained in the August 18, 1976 *Outlook for U.S. Agricultural Exports* published by the Economic Research Service and the Foreign Agricultural Service.

³On October 1, 1976, the recording of U.S. foreign trade will switch from the July-June fiscal year to the new Federal fiscal year of October 1 through September 30. In recent years, as U.S. exports have expanded and prices have risen, the split-year export value for the October-September period has been slightly above the corresponding July-June total.

⁴All export statistics have been adjusted for estimated transshipments through Canada and Western Europe.



U.S. agricultural exports, fiscal years 1974-1976¹

	1974	1975	1976 ²
	Million dollars	Million dollars	Million dollars
Developed countries . . .	12,043	12,057	12,230
Centrally planned countries	2,346	1,490	3,082
Developing countries . .	6,904	8,031	6,835
Total	21,293	21,578	22,147

¹ Adjusted for transshipments. ² Preliminary.

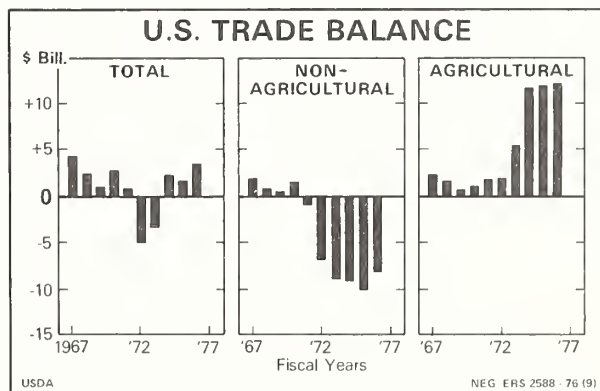


Table 9-- U.S. agricultural exports to the USSR,
fiscal years 1972-1976 1/

Commodity	: 1972	: 1973	: 1974	: 1975	: 1976 <u>2/</u>
----- Million dollars -----					
Grains and preparations	147	802	563	374	1,926
Wheat	1	566	219	194	612
Feed grains	146	220	292	172	1,294
Corn	106	209	284	172	1,287
Other	0	16	52	8	20
Oilseeds and products	0	139	10	.5	63
Soybeans	0	134	7	0	63
Other agricultural products ...	10	13	12	35	12
Total	157	954	585	410	2,001
----- 1,000 metric tons -----					
Wheat	3	9,485	2,725	978	4,002
Feed grains	2,945	3,961	4,597	1,261	10,304
Corn	1,977	3,718	4,518	1,261	10,288
Rye	0	238	560	30	0
Rice	0	0	0	10	63
Total grains	2,948	13,685	7,883	2,280	14,369
Soybeans	0	924	25	0	324

1/ Including transshipments through Canada, the Netherlands, and Belgium
2/ Preliminary.

Table 10--U.S. agricultural exports: Volume of selected commodities,
fiscal years 1975-1977 1/

Commodity	: 1974	: 1975	: 1976	: Forecast
	: July-June	: July-June	: July-June	: 1977
				: Oct.-Sept.
----- Million metric tons -----				
Wheat and flour	31.047	28.014	31.463	28.3
Feed grains.....	43.735	34.328	46.374	44.8
Rice	1.582	2.231	1.538	2.1
Soybeans	14.046	11.009	15.405	14.7
Vegetable oils	1.050	1.067	.824	.9
Oilcake and meal	4.983	4.263	4.633	4.5
Cotton, including linters ..	1.326	.879	.749	1.0
Tobacco .....	.313	.290	.273	.3
Fresh fruit	1.096	1.294	1.330	1.3
Animal fats	1.135	1.155	.893	1.1
Total	100.313	84.530	103.482	99.0

1/ Beginning in fiscal 1977, an October 1 - September 30 fiscal year will replace the previous U.S. fiscal year which ran from July 1 through June 30.

U.S. feed grains and trailed only India in imports of U.S. wheat.

Forecast Fiscal 1977 Exports

October 1976-September 1977 U.S. agricultural exports are expected to about equal the fiscal 1976 value. Export volume is likely to decline slightly, but higher prices for soybeans, cotton, and oilmeal and continued strong prices for feed grain will help maintain the total value. The improved world economic situation will also provide an additional stimulus to farm exports during 1976/77.

Wheat and feed grain shipments are expected to drop about 10 percent in fiscal 1977. The reduction in shipments to the USSR, India, and Brazil will probably offset larger shipments to Europe and Japan. U.S. soybean exports are expected to fall somewhat from fiscal 1976's 15.4 million metric tons. Foreign demand for feed is growing, but the 1976 U.S. soybean crop is expected to be down

about 16 percent while another record Brazilian soybean crop is anticipated for next spring. Also, the increasing soybean-grain price ratio will encourage more feeding of grain.

\$10 Billion in Agricultural Imports

U.S. agricultural imports broke the \$10-billion mark in fiscal 1976 as imports of most major commodities, except sugar, rose. Raw sugar imports fell 6 percent in volume and 44 percent in value, to \$1.4 billion. The greatest volume increases were recorded for vegetable oils, cocoa beans, cashew nuts, coffee, spices, and beef. Green coffee imports reached a record value of \$2.0 billion. The largest suppliers of agricultural products were Brazil, Mexico, Australia, and Canada.

Fiscal 1977 U.S. agricultural imports are expected to increase by about 15 to 20 percent above fiscal 1976's \$10.1 billion total. Most of the growth is expected to be from coffee, meat, live animals, and rubber. (*Sally E. Breedlove*)

WORLD GRAIN SITUATION IMPROVING

Final 1975/76 and preliminary 1976/77 data on world grain production, consumption, and trade indicate a continued easing in the relatively tight supply situation of the last 3 to 4 years is likely through the remainder of 1976/77.⁵ Production in 1976/77 is expected to be over 5 percent above 1975/76, well above all previous production records, and about on the long-term trend. Record 1976/77 consumption levels are also forecast; however, this year's consumption increases are expected to be smaller than forecast production increases. Consequently, world carryover stocks at the end of the 1976/77 year could increase as much as 15 percent above carry-in levels.

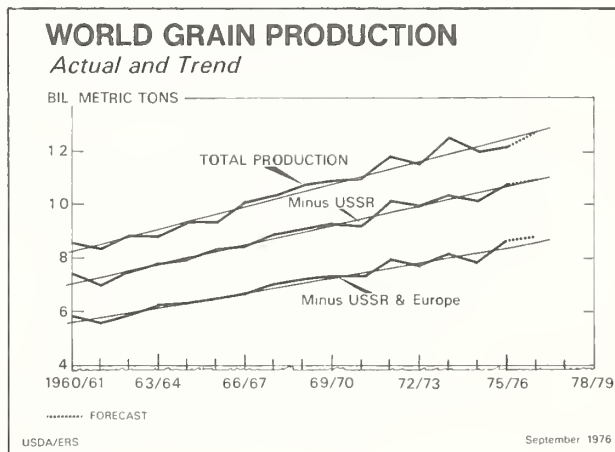
Given the wide distribution of this year's generally good grain and other food crops, world grain trade will likely fall off somewhat from record 1975/76 levels. Prices on the world market and on the domestic markets of the major grain importers and exporters have weakened and can be expected to continue well below their high 1975/76 levels. Despite these indicated improvements in the general world grain supply situation, however, the grain situation in many of the developing countries is not expected to improve significantly—particularly if analysed in terms of changes in critical per capita production and consumption levels.

⁵World grain totals include wheat, milled rice, the major coarse grains, and a number of the minor coarse grains. For a fuller definition, see table 12 footnotes.

World Production

World 1976/77 production of wheat, milled rice, and coarse grain is currently forecast at 1,282 million tons or 64 million tons above the 1975/76 level. Record area harvested—up some 1.5 percent from 1975/76's previous all time high—combined with near record yields are expected to generate this year's increase. A crop this size would be the largest ever harvested. With 1976/77 carry-in stocks of over 120 million tons, this year's supply availability of over 1,400 million tons would also be the largest ever.

Viewed from a longer-term perspective, however, the 1976/77 production increase is somewhat less



encouraging. Sustained growth in grain production at the trend rates of the 1960/61-1971/72 period would have put the 1976/77 crop at over 1,306 million tons (table 11). Moreover, a 2.0-percent or 25-million-ton annual increase in production is needed simply to maintain per capita world production. The 5-percent increase in 1976/77 follows disappointing 1975/76 and 1974/75 crops. A 1,282-million-ton crop this year would be less than 3 percent larger than the last "good" crop reported in 1973/74. However, the 1976/77 crop is still well above the level indicated by the substantially lower growth rates of the less favorable 1971/72-1975/76 period.

As tables 12 to 15 indicate, this year's grain production increases are not expected to be generally distributed among grains or across countries. Rice production is actually expected to fall off by roughly 7 to 8 million tons or 3 percent. Production of wheat is forecast to increase 37 million tons or more than 10 percent while coarse grain increases are forecast at about 34 million tons, slightly more than 5 percent. All of these wheat and coarse grain production increases, however, follow disappointing 1975/76 harvests and are also somewhat lower than forecast earlier in the year due to some deterioration in weather in parts of the European Community, the United States, China, and much of Asia.

Regional variations in production increases are likely to be even more marked. Production in the commercial world—i.e., the developed countries, Eastern Europe, and the Soviet Union—is expected to increase about 7 percent. Over 60 million tons of this increase, however, is expected to be due to the USSR's recovery from an extraordinarily poor 1975/76 crop. Canada is the other commercial country expected to increase production significantly. The U.S. grain crop is now expected to be little changed from 1975/76 because of output reductions caused by hot, dry weather in August and September. Production decreases in the European Community and Eastern Europe—where output is off 11 and 6 percent, respectively, from 1972/73-75/76 averages—are expected to pull the commercial countries' net production increase down to about 55 million tons.

Production increases in the low-income countries as a group—i.e., the developing countries and the People's Republic of China—are expected to be around 3 percent or 15 million tons. Such an increase would be particularly encouraging following the 1975/76 increase of about 9 percent. The most marked production increases are currently forecast for the developing market economies of Brazil, Argentina, and much of North Africa and the Middle East. Small drops in production are forecast in a relatively few countries. Included

among these, however, are several South Asian and central plan countries.

Even with this second year of strong generalized increases, however, percapita production in the developing market economies is likely to continue at less than 180 kilograms per person. As table 11 indicates, rapid growth in population has helped limited growth in percapita production to 0.2 percent per year since 1960/61. Growth in percapita production in the developing market economies has also been highly variable, often up or down 8 to 10 kilograms or 5 to 6 percent from year to year.

World Consumption

The increases in 1976/77 grain consumption are expected to be well below trend and about two-thirds of the expected increase in production. Projected trend increases in consumption would have been more than sufficient to absorb all of 1976/77's production increase. It is this slowed growth in consumption, rather than the size of this year's production increases, that is expected to continue to exert downward pressure on this year's initially high foreign and domestic prices.

This year's slowed growth in consumption is due largely to lagging recovery in the feed-livestock economies of the developed countries. While feeding incentives have improved markedly over the last several quarters in most of developed market economies, livestock-feed price ratios are still not favorable enough to generate the record feed usage of 1972/73 and 1973/74. Feeding in the exporting countries is expected to lag at or only marginally above 1975/76 levels. Usage in the United States is expected to increase at less than half 1975/76's 12-percent rate to a level less than 85 percent of that in 1972/73. Feeding in Eastern Europe is expected to fall about 1 million tons or some 4 percent due to reduced domestic production. Even more marked reductions in forage and fodder crops, however, are likely to keep grain feeding from falling off any further.

Only in the European Community and the Soviet Union is feeding expected to increase substantially. Drastic reductions in forage and fodder crops in the European Community—particularly in France—are likely to force farmers to feed a record 99 million tons of grain, even at the cost of importing record quantities of corn and reducing gross exports of wheat. Soviet feed usage is expected to recover to a near-record 105 million tons due largely to marked improvements in domestic grain availabilities.

World food grain use is expected to reach a record 790 million tons, with the bulk of this increase in the low income countries—particularly the African and Asian developing market economies. But even with this second year of consumption increases,

Table 11--Trend Analysis of Grain Production 1/

Period of Analysis	Format	Equation	Standard Errors	Annual Increase	1976/77 Trend : Value	1976/77 Forecast	Growth Rate	R ²
					Million metric tons			Percent-
World Production								
1960/61-75/76	linear	wgp=-921+29.0t	27.4	29.0	1,283	1,282	2.8	.96
1960/61-71/72	linear	wgp=-1,035+30.8t	23.0	30.8	1,306	1,282	3.1	.95
Developing Market Economics Production					Thousand metric tons			
1960/61-75/76	linear	DMEp=-226,332+7,632t	8,489	7,632	353,717	365,340	2.64	.94
1960/61-71/72	linear	DMEp=-250,604+8,015t	8,278	8,015	358,536	365,340	2.92	.92
Developing Market Economics Per Capita Production					Kilograms			
1960/61-75/76	linear	DMEpcp=151.3+.29t	5.00	.29	173.5	180.9	.17	.07
1960/61-71/72	linear	DMEpcp=122.2+.75t	4.86	.75	179.1	180.9	.44	.22

Note: Linear regression results proved superior to log linear and curvilinear results in all six of the above cases.
WGP= World grain production, DMEP = developing market economics grain production, DMEPCP = developing market economics per capita production.

Source: USDA/ERS/FDCE/Commodities, September 23, 1976

1/ World Grain total includes wheat, milled rice, and the major and minor coarse grains.

Table 12--World Grain Production, Consumption and Net Trade

Region and/or Country	1960/61-62/63				1969/70-71/72				1973/74				1974/75				1975/76			
	Pro- duction	Con- sumption	Exports	Net	Pro- duction	Con- sumption	Exports	Net	Pro- duction	Con- sumption	Exports	Net	Pro- duction	Con- sumption	Exports	Net	Pro- duction	Con- sumption	Exports	Net
	----- Million metric tons -----																			
Developed Countries	318.98	303.29	20.26	404.34	379.21	30.29	453.93	405.10	58.93	418.61	367.07	54.82	458.01	380.81	75.01	453.84	390.95	49.29		
United States	168.26	139.78	32.71	208.74	169.00	39.31	236.03	177.97	75.03	203.01	142.13	64.90	246.27	156.68	82.24	245.87	159.82	76.00		
Canada	23.77	15.14	9.69	34.40	22.13	14.86	36.57	23.41	12.67	30.74	21.11	12.56	37.05	21.70	16.49	43.64	21.87	15.67		
EC-9	72.84	93.31	-21.48	95.88	113.20	-16.57	108.70	120.20	-13.24	110.80	118.72	-11.48	99.86	116.72	-12.03	94.59	120.93	-25.05		
Other Western Europe	20.77	24.95	-4.25	28.99	33.82	-4.94	29.55	37.80	-9.28	34.12	40.91	-7.71	33.38	40.61	-6.79	31.61	41.77	-9.62		
South Africa	6.98	4.69	2.21	8.67	6.90	1.31	13.79	8.49	3.70	11.30	8.44	3.48	9.98	8.80	1.88	11.61	8.73	3.03		
Japan	15.60	21.00	-5.26	12.70	27.85	-14.43	11.55	30.39	-19.30	11.71	30.07	-18.48	12.49	30.68	-19.46	11.87	31.93	-20.14		
Oceania	10.76	4.42	6.64	14.96	6.31	10.75	17.74	6.84	9.35	16.93	5.69	11.55	18.98	5.62	12.68	14.65	5.90	9.40		
Centrally Planned Countries	299.44	302.94	-3.19	416.58	431.43	-6.43	485.69	488.71	-16.24	473.21	493.58	-13.29	424.59	468.11	-34.70	479.57	492.56	-22.96		
Eastern Europe	57.86	64.73	-6.55	74.97	82.70	-7.43	87.35	92.07	-4.87	91.23	98.59	-8.28	88.58	97.46	-8.01	85.09	95.60	-10.42		
USSR	126.31	119.02	7.29	167.44	171.47	3.97	211.88	204.51	-5.70	184.78	193.26	-4.48	133.15	166.51	-25.40	192.60	193.83	-11.25		
P. R. China	113.27	119.19	-3.93	174.17	177.26	-2.97	186.46	192.13	-5.67	197.20	201.73	-4.53	202.86	204.14	-1.29	201.88	203.13	-1.29		
Developing Countries	235.59	246.30	-11.69	309.90	326.73	-21.23	324.87	352.90	-29.88	321.17	355.99	-35.14	350.53	373.47	-30.83	365.34	386.94	-21.52		
Middle America	9.64	10.42	-0.90	15.79	16.95	-1.99	17.45	20.44	-3.61	16.48	21.24	-4.94	19.18	22.33	-3.62	19.08	23.21	-3.66		
Venezuela	53	92	-38	83	1.77	-1.29	.66	1.96	-1.27	.78	1.98	-1.25	.92	2.02	-1.06	.75	2.26	1.59		
Brazil	14.19	16.12	-1.91	19.69	21.20	-2.78	20.57	22.52	-2.51	23.15	23.85	-0.78	25.30	26.09	-0.79	29.16	26.95	12.53		
Argentina	13.25	8.34	5.18	19.40	11.23	8.05	24.71	13.28	10.38	19.99	12.44	7.90	21.01	12.01	9.89	25.99	13.48	12.53		
Other South America	5.62	6.68	-1.04	6.81	8.94	-2.13	6.98	9.88	-3.01	7.44	9.82	-2.32	7.75	10.18	-2.60	8.17	10.64	-2.42		
North Africa/Middle East	32.36	37.63	-5.53	40.46	49.16	-8.73	37.16	51.55	-12.71	42.92	56.43	-15.08	46.91	58.12	-12.86	52.78	62.42	-10.17		
Central Africa	20.67	21.42	-0.75	24.26	26.04	-1.78	20.86	23.15	-2.31	23.70	25.79	-2.00	24.64	26.81	-2.16	25.00	27.14	-2.16		
East Africa	7.38	7.28	0.06	9.62	9.81	-0.34	10.33	10.35	.34	9.70	10.21	-0.64	9.80	10.30	-0.49	10.03	10.50	-0.49		
South Asia	92.09	97.41	-6.21	119.38	123.67	-5.50	129.56	137.13	-7.19	118.33	129.46	-9.11	133.93	139.09	-11.38	132.84	141.71	-8.07		
Southeast Asia	17.31	13.40	3.95	22.91	19.79	3.31	23.57	20.82	2.68	23.95	21.18	2.65	26.08	22.37	3.87	25.91	23.06	3.10		
East Asia	22.55	26.68	-4.16	30.75	38.17	-8.05	33.02	41.82	-10.67	34.73	43.59	-9.57	35.01	44.15	-9.11	35.63	45.57	-9.83		
Rest of World	6.45	7.36	-0.90	6.85	9.03	-2.17	7.75	10.45	-2.70	7.85	9.62	-1.77	8.75	10.54	-1.80	8.81	10.60	-1.65		
Total above	860.46	859.89	--	1,137.67	1,146.40	--	1,272.24	1,257.23	--	1,220.84	1,226.26	--	1,241.88	1,232.93	--	1,307.56	1,281.05	--		
World total 1/	853.17	856.83		1,120.30	1,132.20		1,251.30	1,246.60		1,199.70	1,208.90		1,218.60	1,217.70		1,282.20	1,262.10			

1/ World totals taken from the Foreign Agricultural Circular on Grains and may not match total above due to variations in country and/or commodity coverage.

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Table 13 --World wheat production, consumption, and net exports

Region and/or Country	1960/61-62/63		1969/70-71/72		1973/74		1974/75		1975/76		1976/77	
	Pro- duction	Con- sumption	Pro- duction	Con- sumption	Pro- duction	Con- sumption	Pro- duction	Con- sumption	Pro- duction	Con- sumption	Pro- duction	Con- sumption
	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
	-- Million metric tons --											
Developed Countries	94.05	74.15	21.27	111.83	87.65	28.31	127.63	85.92	45.15	132.17	43.64	138.27
United States	33.38	16.31	18.14	40.03	21.93	17.38	46.40	20.60	32.96	48.88	19.02	27.47
Canada	12.41	3.97	9.46	13.90	4.67	11.66	16.16	4.60	11.41	13.30	4.81	10.74
EC-9	29.62	35.80	7.13	36.64	40.66	-3.51	41.39	39.99	-0.07	45.39	40.60	2.28
Other Western Europe	8.46	10.54	-2.07	9.89	10.76	-7.78	9.37	9.45	-8.71	11.31	10.92	10.10
South Africa	.78	.91	-1.13	1.46	1.34	-0.06	1.87	1.56	.42	1.50	1.64	.04
Japan	1.65	4.25	-2.68	.56	5.25	-4.70	.20	5.59	-5.44	.23	5.57	.24
Oceania	7.75	2.37	5.68	9.35	3.04	8.32	12.24	4.13	6.74	11.56	3.36	8.39
Centrally Planned Countries	103.59	108.19	-4.29	148.77	159.30	-3.67	175.64	174.26	-8.79	155.04	169.06	-7.21
Eastern Europe	17.23	23.01	-5.46	26.24	30.98	-4.55	31.46	34.99	-3.70	34.19	36.01	-3.01
USSR	67.19	62.18	5.01	92.80	94.67	4.80	109.78	99.23	.55	83.85	90.35	1.50
P. R. China	19.17	23.00	-3.84	29.73	33.65	-3.92	34.40	40.04	-5.64	37.00	42.70	-5.70
Developing Countries	43.38	57.61	-14.83	64.10	85.13	-22.97	68.43	99.78	-28.84	68.89	98.91	-31.07
Middle America	1.38	1.89	-1.55	2.06	2.91	-1.81	2.04	3.44	-1.42	2.43	3.61	-1.49
Venezuela	.66	.33	-1.33	.66	.71	-1.71	.60	.60	-.60	.60	.54	-.61
Brazil	2.82	2.82	-2.16	1.78	3.77	-1.82	1.93	4.31	-2.51	2.82	4.65	-2.03
Argentina	5.21	3.57	1.87	5.87	4.39	1.64	6.56	4.22	1.58	5.97	4.33	1.78
Other South America	1.88	2.95	-1.09	1.94	3.79	-1.83	1.38	4.10	-2.67	1.78	4.05	-2.17
North Africa/Middle East	15.65	20.32	-4.91	20.45	28.15	-7.88	19.46	30.97	-9.93	22.20	32.51	-11.48
Central Africa	.67	1.10	-1.43	.86	2.01	-1.15	.55	1.55	-1.29	.68	2.03	-1.27
East Africa	.12	.25	-1.16	.31	.57	-.24	.28	.66	-.39	.26	.69	-.48
South Asia	17.49	22.11	-5.11	30.45	34.05	-4.75	36.05	44.77	-6.69	32.57	41.73	-8.88
Southeast Asia	.01	.20	-1.19	.03	.42	-.39	.02	.27	-.26	.04	.34	-.28
East Asia	.31	2.07	-1.77	.35	4.36	-4.13	.16	4.60	-4.66	.14	4.43	-4.16
Rest of World	.21	.83	-.61	.32	2.17	-1.85	.37	2.49	-2.12	.37	2.02	-1.65
Total above	241.23	240.78	--	325.02	334.25	--	372.07	362.45	--	356.47	355.91	--
World total 1/	241.20	242.30	--	325.00	335.20	--	372.30	368.10	--	356.40	359.20	--

1/ World totals taken from the Foreign Agricultural Circular on grains and may not match total above due to small variations in country and/or commodity coverage.

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Table 14-- World Milled Rice Production, Consumption and Net Exports

Region and or/Country	1960/61-62/63			1969/70-71/72			1973/74			1974/75			1975/76			1976/77		
	Pro- duction	Con- sumption	Net exports	Pro- duction	Con- sumption	Net exports	Pro- duction	Con- sumption	Net exports	Pro- duction	Con- sumption	Net exports	Pro- duction	Con- sumption	Net exports	Pro- duction	Con- sumption	Net exports
	-- Million metric tons --																	
Developed Countries	14.53	14.25	.54	15.54	14.21	2.10	15.59	13.97	1.57	16.27	13.97	2.44	17.53	14.17	1.50	16.42	14.34	1.86
United States	1.88	.95	.98	2.88	1.27	1.66	3.04	1.35	1.60	3.67	1.48	2.21	4.11	1.38	1.74	3.60	1.45	2.00
Canada	---	.04	-.04	---	.05	-.05	---	.07	-.07	---	.06	-.06	---	.06	-.06	---	.06	-.06
EC-9	.55	.75	-.21	.66	.74	-.07	.77	.82	-.07	.73	.68	.22	.74	.85	-.13	.80	.85	-.04
Other Western Europe	.40	.43	-.04	.41	.47	-.05	.43	.52	-.10	.40	.47	-.08	.40	.50	-.12	.37	.50	-.13
South Africa	---	.04	-.04	---	.07	-.07	---	.10	-.10	---	.07	-.07	---	.09	-.09	---	.08	-.08
Japan	11.61	12.00	-.16	11.40	11.54	.54	11.06	11.02	.25	11.19	11.11	.02	11.98	11.19	-.04	11.34	11.30	-.03
Oceania	.09	.04	.05	.19	.07	.14	.29	.09	.16	.28	.10	.20	.30	.10	.20	.31	.10	.20
Centrally Planned Countries:	52.07	51.74	.33	72.86	72.36	.49	78.10	76.31	1.80	82.97	81.75	1.20	84.40	83.80	.59	83.83	82.99	.82
Eastern Europe	.08	.20	-.12	.14	.29	-.16	.14	.26	-.11	.13	.26	-.15	.14	.29	-.16	.15	.28	-.13
USSR	.15	.33	-.18	.83	1.10	-.28	1.15	1.21	-.06	1.24	1.49	-.25	1.30	1.55	-.25	1.40	1.63	-.25
P. R. China	51.84	51.21	.63	71.89	70.97	.93	76.81	74.84	1.97	81.60	80.00	1.60	82.96	81.96	1.00	82.28	81.08	1.20
Developing Countries	89.90	89.66	.31	114.61	115.47	-.15	120.04	120.95	-.31	118.38	121.81	3.13	130.69	128.96	1.08	126.77	131.79	-2.64
Middle America	.50	.54	-.04	.71	.79	-.07	.79	.88	-.15	.86	.99	-.12	1.03	1.03	-.10	.85	1.08	-.15
Venezuela	.06	.07	---	.13	.12	---	.20	.18	.07	.19	.19	.03	.20	.19	-.06	.10	.20	-.50
Brazil	3.78	3.72	.07	4.12	3.98	.10	4.37	4.13	.01	4.76	4.62	-.04	5.78	5.32	.46	5.44	5.34	.10
Argentina	.11	.09	.02	.21	.14	.07	.21	.13	.06	.23	.14	.08	.20	.15	.10	.20	.13	.10
Other South America	.97	.86	.11	1.41	1.29	.09	1.62	1.31	.21	1.98	1.58	.33	2.13	1.79	.23	2.05	1.97	.25
North Africa/Middle East	1.75	1.77	-.03	2.83	2.45	.37	2.47	2.95	-.51	2.44	3.37	-1.03	2.59	3.29	-.67	2.65	3.61	-.90
Central Africa	2.10	2.41	-.31	2.79	3.34	-.55	2.77	3.37	-.62	3.08	3.72	-.63	3.24	3.74	-.49	3.33	3.79	-.50
East Africa	.15	.15	---	.19	.19	---	.18	.18	---	.18	.19	-.01	.17	.20	-.03	.16	.23	-.07
South Asia	47.31	48.27	-.96	58.05	58.63	-.65	61.00	59.66	.34	56.90	58.13	.07	65.32	62.64	2.68	61.24	63.79	-.29
Southeast Asia	16.40	13.02	3.39	20.52	18.79	1.91	20.75	19.90	.64	20.90	20.06	.78	22.48	21.00	1.67	22.61	21.52	1.32
East Asia	16.77	18.76	-1.93	23.65	25.75	-2.41	25.68	27.96	-3.15	26.86	28.82	-2.59	27.55	29.61	-1.62	28.14	30.13	-2.00
Rest of World	4.18	4.36	-.18	4.69	4.87	-.18	5.15	5.12	.03	5.79	5.77	.02	5.65	5.73	-.08	5.71	5.79	.08
Total above	160.68	160.01	---	207.70	206.91	---	218.88	216.35	---	223.41	223.30	---	238.27	232.66	---	232.73	234.91	---
World total ^{1/}	160.8	160.8	---	207.8	207.5	---	219.0	216.7	---	223.5	223.9	---	238.7	233.8	---	231.20	236.30	---

^{1/} World totals taken from the Foreign Agricultural Circular on Grains and may not match total above due to small variations in country and/or commodity coverage.

Note: World milling rate averages .667 but varies as low as .65 and as high as .72 for specific countries and regions.

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Table 15--World Coarse Grain Production, Consumption and Net Exports

Region and/or Country	1960/61-62/63			1969/70-71/72			1973/74			1974/75			1975/76			1976/77		
	Pro- duction	Con- sumption	Net exports	Pro- duction	Con- sumption	Net exports	Pro- duction	Con- sumption	Net exports	Pro- duction	Con- sumption	Net exports	Pro- duction	Con- sumption	Net exports	Pro- duction	Con- sumption	Net exports
	Million metric tons																	
Developed Countries	210.40	214.89	-1.55	276.97	277.35	-0.38	310.71	305.21	12.21	270.07	267.18	8.74	302.21	281.73	24.71	295.01	288.18	7.09
United States	133.00	122.52	10.48	165.83	145.80	20.03	186.59	156.02	40.47	150.46	121.63	35.22	184.08	135.21	48.90	184.06	138.15	45.40
Canada	11.36	11.13	0.23	20.50	17.41	3.09	20.41	18.74	1.33	17.44	16.24	1.88	19.97	16.76	4.35	20.79	16.92	3.73
EC-9	42.67	56.76	-14.14	58.58	71.80	-12.99	66.54	79.39	-13.00	64.68	77.44	-13.98	61.02	77.40	-14.05	53.60	78.74	-24.37
Other Western Europe	11.91	13.98	-2.14	18.69	22.59	-4.11	19.75	27.83	-8.31	22.41	29.52	-7.73	22.48	29.30	-6.68	20.48	30.24	-9.64
South Africa	6.20	3.74	2.38	7.21	5.49	1.44	11.92	6.83	3.38	9.70	6.73	3.51	8.20	6.97	1.93	9.65	6.84	3.01
Japan	2.34	4.75	-2.42	7.74	11.06	-10.27	29	13.78	-14.11	29	13.39	-13.12	27	13.76	-13.50	29	14.76	-14.51
Oceania	2.92	2.01	.91	5.42	3.20	2.29	5.21	2.62	2.45	5.09	2.23	2.96	6.19	2.33	3.76	6.14	2.53	3.47
Centrally Planned Countries	143.78	143.01	.77	194.95	199.77	-3.25	231.95	238.21	-9.25	235.20	242.77	-7.28	206.55	227.72	-19.67	240.94	250.55	-10.33
Eastern Europe	40.55	41.52	-0.97	48.59	51.43	-2.72	55.75	56.82	-1.06	56.91	62.32	-5.12	59.94	63.48	-4.03	54.14	60.80	-6.34
USSR	58.97	56.51	2.46	73.81	75.70	-1.55	100.95	104.14	-6.19	99.69	101.42	-1.73	65.71	83.26	-15.55	106.20	109.20	-4.00
P. R. China	44.26	44.98	-0.72	72.55	72.64	.02	75.25	77.25	-2.00	78.60	79.03	-0.43	80.90	80.98	-0.09	80.60	80.55	.01
Developing Countries	102.31	99.03	2.83	131.19	126.13	1.99	136.40	132.17	2.06	133.90	135.27	-0.94	142.81	141.21	.46	149.96	145.93	4.37
Middle America	7.76	7.99	-0.23	13.02	13.25	-0.23	14.62	16.12	-2.04	13.19	16.64	-3.33	15.27	17.44	-2.71	15.38	18.17	-2.45
Venezuela	.47	.52	-.05	.70	.94	-.24	.46	1.18	-.74	.59	1.25	-.67	.72	1.25	-.48	.65	1.38	-.75
Brazil	9.75	9.58	.17	13.79	13.45	.34	17.94	8.93	8.74	13.79	7.97	6.04	12.24	7.41	5.79	15.79	7.85	7.93
Argentina	2.77	2.87	-.06	3.46	3.86	-.39	3.98	4.47	-.55	3.68	4.19	-.48	4.03	4.35	-.32	4.20	4.51	-.34
Other South America	14.96	15.54	-.59	17.18	18.56	-1.22	15.23	17.63	-2.27	18.28	20.55	-2.57	18.96	20.88	-2.12	20.57	22.58	-1.90
North Africa/Middle East	17.90	17.91	-.01	20.61	20.69	-.08	17.54	17.94	-.40	19.94	20.04	-.10	20.50	20.73	-.24	20.77	20.99	-.22
Central Africa	7.11	6.88	.23	9.12	9.05	-.09	9.87	9.51	.73	9.26	9.33	-.15	9.32	9.38	-.16	9.55	9.54	-.03
East Africa	27.29	27.03	.14	30.88	30.99	-.10	32.51	32.70	-.84	28.86	29.60	-.30	32.97	32.89	-.67	32.66	33.01	-.01
South Asia	.90	.18	.75	2.36	.58	1.79	2.80	.65	2.30	3.01	.78	2.15	3.56	.97	2.54	3.26	1.09	2.20
Southeast Asia	5.47	5.85	-.46	6.75	8.06	-1.51	7.18	9.26	-2.86	7.73	10.34	-2.82	7.32	10.24	-3.44	7.41	10.68	-3.05
East Asia																		
Rest of World	2.06	2.17	-.11	1.92	2.10	-.18	1.97	2.45	-.48	2.33	2.48	-.15	2.73	2.79	-.07	2.73	2.79	-.07
Total above	458.55	459.10	-.55	605.03	605.35	-.32	681.03	678.04	-.44	641.50	647.70	-.65	654.30	653.44	-.88	688.64	687.45	1.19
World total 1/	451.17	453.73	2.56	587.50	589.50	-1.99	660.00	661.80	-1.80	619.80	625.80	-6.00	631.00	636.10	-5.10	665.30	664.60	0.70

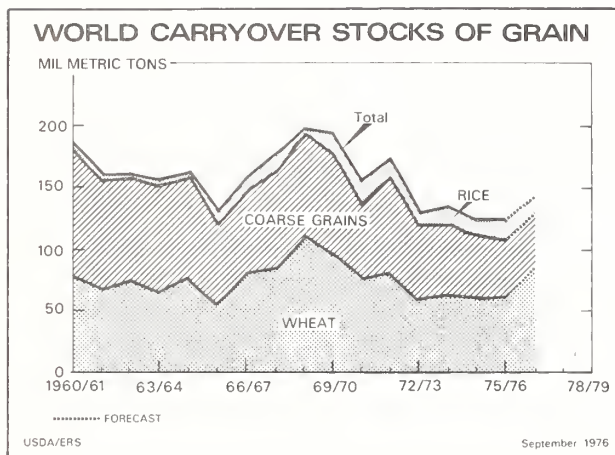
1/ World totals taken from the Foreign Agricultural Circular on Grains and may not match total above due to variations in country or/or commodity coverage.

Note: Coarse Grains include corn, barley, rye, oats, sorghum, and millet as well as a number of other miscellaneous grains.

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per capita intake in the poorer half of the world is likely to lag well behind recent highs.

If this forecast production-consumption balance should materialize, world carryover stocks of wheat, milled rice, and coarse grains could reach the 144-million-tons level or approximately 11 to 12 percent of total annual consumption. A grain carry-over stock of some 144 million tons would still be somewhat below the targets proposed by the U.N. Food and Agriculture Organization and the World Food Council.



This year's stock increases appear to be due in many cases to conscious policy decisions, rather than an accumulation of production surpluses in the exporting countries. Government or private stock demand appears to have effectively bid grain away from food and feed use in a number of deficit regions. While the exporting countries are likely to increase their share of larger world stocks as the current year progresses, it seems unlikely that the importing countries will choose to return to holding their traditional one-third or less of world stocks (table 16).

World Trade

This year's world trade in grain is expected to fall off as much as 15-20 million tons from the 170-million-ton record set in 1975/76. Generally good grain and other food crops well distributed throughout many of the deficit countries are expected to lessen many of the traditional importers' dependence on foreign sources of supply.

Reductions in world wheat and coarse grain trade of up to 10 percent are expected to account for all of this year's drop. World rice trade is expected to increase but from the rather unimpressive 7.2 million tons reported in 1975/76. If the

World grain trade reported on a gross export basis

	Total grain	Wheat	Milled rice	Coarse grains
<i>Million metric tons</i>				
1960/61-62/63 ...	83.1	45.6	6.7	30.8
1969/70-71/72 ...	116.4	56.5	7.8	52.1
1972/73	149.4	72.2	8.2	69.0
1973/74	159.2	70.7	7.7	80.8
1974/75	145.0	68.0	7.7	69.3
1975/76	168.7	74.0	7.2	87.5
1976/77 ¹	152.3	66.0	7.3	79.0

¹ Forecast.

Forecast of 1976/77 grain export availabilities of the major exporting countries

	Export availability ¹	Forecast exports
<i>Million metric tons</i>		
United States	84.6	76.0
Canada	21.8	15.7
Oceania	8.4	9.0
Argentina	12.5	12.5
South Africa	3.0	3.1
Thailand	3.5	3.8
Total above	133.8	120.1

¹ Forecast. ² Export availability calculated as current production minus current consumption. Stocks are assumed to remain constant except in the case of Canada where provision is made for a 3 million increase.

rice crops proves to be as small as forecast, much of 1975/76's buildup in rice stocks will need to be drawn down. Continued long term growth in rice demand in many of the higher income countries of North Africa and the Middle East with limited domestic production capacities is also likely to bolster world rice trade. However, any significant increase in rice trade is not likely this year, due to the abundance of high quality wheat at falling prices in a number of the major exporting countries.

The major factors expected to lower world wheat and coarse grain trade in 1976/77 are reductions in the import requirements of the Soviet Union, India, and a number of other developing market countries in Africa and Asia. These decreases, however, are likely to be partially offset by the larger import requirements of the Eastern and Western European countries.

Soviet wheat and coarse grain import demand, which accounted for over 25 million tons of the 1975/76 total, is expected to weaken in 1976/77 to roughly 13 million tons. Good grain and forage crops at home and the limited capacity of the Soviet livestock economy to absorb more grain in its current stage of recovery are likely to keep

Table 16--World Carry-Over Stocks of Wheat, Milled Rice, and Coarse Grains

Region and/or Country	: 1960/61-62/63	: 1969/70-71/72	: 1973/74	: 1974/75	: 1975/76	: 1976/77
	----- Thousand metric tons -----					
Developed Countries	143,369	126,661	77,336	74,611	76,632	89,362
U.S.	103,128	67,233	31,305	27,349	34,725	43,744
EC-9	14,245	12,183	13,919	17,412	12,563	11,263
Centrally Planned Countries ^{1/}	7,790	14,972	25,728	18,615	10,353	20,266
Developing Countries	16,753	30,943	28,368	29,171	36,980	36,825
Latin America	4,241	5,788	5,565	5,904	6,424	6,462
Developing Africa &						
West Asia	2,127	4,052	3,866	5,527	6,777	7,348
Other Developing Asia	10,375	21,103	18,937	17,740	23,779	23,015
World Total ^{2/}	166,100	173,500	132,000	122,800	123,700	143,800

^{1/} Stock data for Centrally Planned Countries limited to estimates of year to year changes; hence, the stock levels quoted here do not include stocks accumulated in these countries prior to 1960/61.

^{2/} World totals taken from the Foreign Agricultural Circular on grains and may not match total above due to variations in country and or commodity coverage and rounding.

Table 17--U.S. Grain Exports, historic, preliminary, and forecast

Grain	: 1960/61-62/63	: 1969/70-71/72	: 1973/74	: 1974/75	: 1975/76	: 1976/77 forecast
	----- Thousand metric tons -----					
Wheat	18,140	17,380	32,960	27,470	31,600	28,600
Milled Rice	980	1,660	1,600	2,210	1,740	2,000
Coarse Grains	13,590	20,270	40,470	35,220	48,900	45,400
Total Grains	32,710	39,310	75,030	64,900	82,240	76,000

Source: USDA/ERS/FDCC/Commodities

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Soviet purchases close to the levels provided for in long-term agreements and short-term contracts negotiated earlier in the year.

The imports of the developing market economies are also expected to fall off due to their second year of good grain and other food crops. India's imports are expected to fall back to roughly 5 million tons from last year's 8 million tons. However, strong demand in the higher income developing countries of North Africa, the Middle East, and East Asia with limited production capacity will keep the developing market economies' net imports from falling much below 22 million tons.

Counteracting declines in a number of countries, import requirements are likely to increase in Eastern and Western Europe. Gross European imports are expected to increase to 55 million tons from a near record 42 million tons in 1975/76. The bulk of these imports, as well as virtually all of the increase over the 1975/76 level, are expected to be concentrated in the EC and the northern countries of Eastern Europe. Gross European exports are also expected to drop off substantially from the 14 million tons reported for 1975/76 to possibly 7 million in 1976/77.

U.S. commercial grain exports in fiscal 1976/77 are expected to fall from record 1975/76 levels despite one of the largest U.S. export availability on record. Stiffer competition is likely this year from a number of traditional exporters, including Canada and Argentina, and from marginally self-sufficient countries such as Turkey in wheat and Brazil in coarse grain. Some increase in U.S. exports of rice seem likely—as much as 100,000 to 150,000 tons—depending on the severity of rice production shortfalls in other exporting countries such as Thailand and Pakistan.

U.S. concessional grain exports—i.e., shipments made under a variety of P.L. 480 programs—are currently programmed to increase through the

1976/77 season but to continue well below the highs of the 1960's and early 1970's. Roughly 3.6 million tons of wheat, 135,000 tons of coarse grain, and 650,000 tons of rice are expected to be shipped to 22 of the poorest developing countries. Forecasts of total U.S. commercial and concessional exports are included in table 17.

Prices

Forecast record production, somewhat dampened growth in consumption, and lower trade levels are expected to interact to lower world grain prices substantially. The domestic prices of countries tied directly to the world markets—particularly major traders such as the United States, Canada, and Japan—could also be expected to drop off under much the same pressure. Price-sensitive feed demand in the large livestock feeding countries, however, is likely to keep wheat and corn prices from falling much below 75 to 80 percent of their 1975/76 levels. Rice prices can be expected to stabilize and turn upward from their current low as the season progresses.

The changing supply and demand balance indicated for 1976/77 has generated a number of unusual grain price movements. Corn-wheat price margins have narrowed appreciably and are approaching a minimum margin reflecting their relative feed values. Local marketing conditions have already pushed wheat prices below corn prices on a tonnage basis in several areas of the United States. International wheat-corn price margins are such that some strengthening in wheat import demand for feed is expected.

Rice-wheat price margins are also close to record lows. Further downward pressure on wheat prices and some upward pressure on rice prices however, is expected to widen this margin in the months ahead. (*Patrick M. O'Brien*)

OILSEEDS: EXPANSION OF PRODUCTION AND TRADE CONTINUES

Production

Oilseed production for the 1975/76 marketing season set new records as several crops hit new individual production records on either a global or regional basis. One of these was soybeans, with world production of roughly 67 million metric tons, compared with 56 million in 1974/75. Of the 1975/76 total, the United States accounted for 41.4 million tons, Brazil for 11.3 million tons, and the People's Republic of China for 10 million tons. Other regions with greater than expected soybean production included Argentina with an estimated 0.7 mil-

lion tons, compared with 0.5 million the previous season.

For other oilseeds, significant production changes for peanuts included the nearly complete failure of commercial production in Nigeria and a good size crop in India. The peanut crop in the United States was 1.7 million tons, also a new record. The drought that hurt Russian grain production in 1975 also reduced sunflowerseed, but the damage was proportionately less severe. Philippine copra production increased sharply but failed to set a new record in calendar 1975—1.95 million tons, compared to the previous record of 2.08 million in

1972 and with 1.37 million in 1974. Palm oil production also continued its dramatic advances.

The oil equivalent of global production of oilseeds and fats and oils including, those of animal origin, is estimated by USDA's Foreign Agricultural Service (FAS) to be 48.7 million tons, up 2.6 million tons or 5 percent from 1975. The 1976 level exceeds the previous record, achieved in 1974, by 1.4 million tons. The 1975 to 1976 change is approximately double the long term growth rate, which in physical terms is roughly 1.2 million tons annually.

FAS estimates the soybean meal equivalent of oilseed plus fishmeal production in 1976 to be 71.4 million tons, more than 8 million tons above 1975. The previous record production was 68 million tons, achieved in 1974.

Trade

In conjunction with the general economic recovery which took place in most of the world's developed countries, trade in oilseeds and meals reached new highs. For the 1975/76 crop year, U.S. exports of soybeans reached 15.2 million tons, above the previous peak of 14.7 million tons in 1973/74. During the same period Brazil exported 4.0 million tons.

Aside from the USSR's imports of 1.5 million tons of soybeans, most of the increase in exports has gone to traditional importers. On a soybean meal equivalent basis, U.S. plus Brazilian 1975/76 exports of soybeans and soybean meal represent an increase of 4.2 million tons over 1974/75. Of this, the Soviet Union accounted for 1.2 million tons, and roughly 70 percent of the increase went to the traditional markets of Europe and Japan.

During the summer and fall of 1975, palm oil was priced low relative to soybean oil and, as a result, use of palm oil in the United States increased to more than double year-earlier rates. However, by fall and early winter these prices ratios had reversed and caused a significant slowing in palm oil use within the United States.

MEAT TRADE CONTINUES RESTRICTED

Earlier prospects of continuation of restricted world trade in meat, particularly beef, are being confirmed. While high rates of beef production are occurring in Argentina, Uruguay, Australia, and New Zealand, severe import restrictions remain in force in the European Community, one of the world's largest consuming areas. Moreover, these restraints are not likely to be relaxed soon. U.S. production and imports remain high despite a downturn in the cattle cycle.

Prices

During the first 6 months of the crop year, oilseed prices (c.i.f. Europe) as represented by those for soybeans, drifted downward, losing about 10 percent over the period. However, a rally which started during the second half of the year pushed soybean prices well above the prices that prevailed during the summer of 1975.

European soybean oil prices dropped from nearly \$600 per metric ton in August 1975 to roughly \$360 per ton in early January. From then on, monthly average prices held relatively steady until late May when they started to rise again. On September 1, soybean oil prices were \$515 per ton.

Palm oil was priced just above \$400 per ton in October 1975. Like soybean oil its price moved downward during the early months of 1975/76, but turned upward late in June, and reached \$443 per ton on September 2.

Meal prices (c.i.f. Europe) as represented by soybean meal started the year (October 1975) at about \$160 per metric ton. That level was generally held through April when prices started to rise. The September 2 price was \$222 per ton.

Outlook for 1976-77

Production prospects for oilseeds present a somewhat varied outlook for 1976/77. The U.S. soybean crop is estimated to be about 16 percent lower due both to a smaller planted area and reduced yields. Along with this, Canadian rapeseed production is expected to be less than 1 million tons, the lowest since 1969. Another very poor peanut crop is expected in Nigeria. On the other hand, Brazil is forecast to harvest another record crop of soybeans in early 1977 and Malaysia will produce and export record quantities of palm oil.

Current expectations are that sunflower production in the Soviet Union and fish meal production in Peru will be near recent average levels. The Indian peanut crop is expected to be near last year's record. (Arthur L. Coffing)

pork, and more than 12 percent for poultry. Increased supplies of finished fed cattle and of nonfed cattle are reaching market, while demand for feeder cattle for fattening is low, due to low cattle prices being curbed by low fattened cattle prices and by relatively high prices for grain and forage. Pork production is recovering from the sharp downturn in the 1974/75 feeding year.

In the neighboring countries of Canada, Mexico, and Central America, meat supplies, principally beef, are rising. Canada, whose imports of beef from Oceania have doubled, has substantially increased its shipments of slaughter cows and manufacturing beef into the United States. While Mexico's U.S.-bound exports of feeder cattle are below normal, they are above last year. Central American shipments of beef into the United States will be limited by operation of the U.S. voluntary restraint system.

The EC ranked as the world's largest beef importing region until the 1970's when it raised production to record highs in 1974 and 1975 and pinched imports to 200,000 metric tons—compared with the 800,000 to 900,000 tons typical of the 1960's—under the pressure of cyclically high beef output. Earlier in 1976, it seemed that EC domestic production might recede, high intervention stock levels drop off, and imports from outside the EC begin to rise toward more customary levels. Drought, however, modifies the prospects. Press reports openly discuss the possibility of forced livestock sales, but EC institutions are considering subsidies to hold livestock on farms to avoid heavy liquidation of herds. The EC Commission, in order to support prices, has reintroduced intervention buying of cow beef in drought-stricken areas and increased the subsidized private storage of beef. Milk production from Europe's multi-purpose beef-dairy herd is reported dropping off. While good quality small-grain crops have been harvested, drought damage is reported to corn, to root crops such as potatoes, forage and sugar beets, to grass, hay, and pastures, and to irrigated alfalfa. Limited availability of livestock feed may lead to heavier slaughter of livestock, downward pressure on meat prices, and reduced demand for imported meat.

Meat production in other parts of Europe, West and East, has been affected by the drought, but with effects which are less clearly discernable than in the EC.

Beef and veal production in Japan for 1976 is expected to drop about 14 percent below the 340,000 tons produced in 1975. This is the basis for anticipating that the import quota will be increased to, say, 100,000 tons in 1976, compared with 44,000 last year and 127,000 in 1973. Under strong domestic demand, and with domestic pork production still cyclically down, pork imports are expected to reach the 1975 level of 125,000 tons. A 5-percent increase in broiler production to 640,000 tons is expected, but imports of over 25,000 tons of poultry are in view for 1976.

In Australia, beef production is expected to rise about 10 percent above last year and total about 1.85 million tons. The cattle herd is large, but leveling off, and production is projected to continue rising. Growing production is being channeled into increased domestic consumption and exports; some further foreign market possibilities exist, mainly in the United States. Consumption is expected to take over one-half of 1976 production, compared with 45 percent in 1975.

In New Zealand beef production and trade are expected to rise in 1976, but trade is restrained by limited export markets. With production of 590,000 tons and consumption of 190,000 tons, similar to last year's per capita use, the government is concerned about the present excessive rate of slaughter's impact on meat export earnings in future years.

The new government in Argentina has announced a program of less restrictive policies for agriculture, including livestock production, and for foreign trade. The broad powers of the nation's meat and grain boards are to be reduced and farmers will be permitted to receive prices more in accord with prevailing international levels. Under these changes Argentina expects to export 550,000 tons of beef and veal (carcass weight) in 1976, more than double last year's exports. Production is expected to reach 2.8 million tons, up by 16 percent from last year.

Uruguay also is anticipating increased beef exports in 1976 of 185,000 tons compared with 114,000 tons in 1975. This level of trade, with expected production of 390,000 tons, would bring about a reduction in percapita consumption from the high levels (85.5 kilos) of last year. (*Donald W. Regier*)

COTTON CONSUMPTION TO EXCEED PRODUCTION IN 1976/77

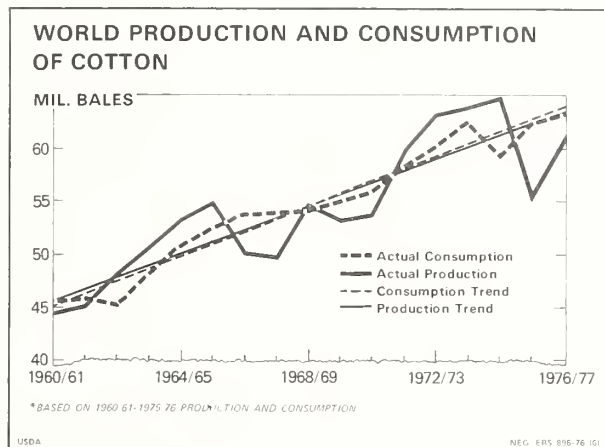
World textile activity in the first half of 1976 sufficiently surpassed the early-season doldrums to permit record world consumption of cotton in 1975/76. In the 1976/77 season, consumption is expected

to show a moderate increase to 63.2 million bales. Potential gains will be limited by high cotton prices, competition from man-made fibers, and lower availabilities. World cotton production,

**World cotton production and consumption and
1960/61-75/76 linear trend**

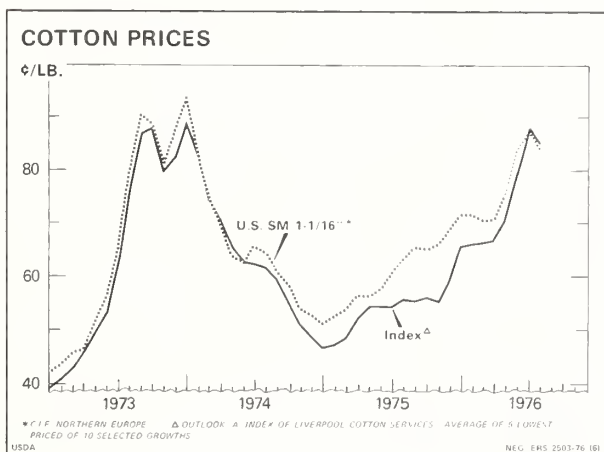
Year beginning August 1	Production		Consumption	
	Actual	Trend	Actual	Trend
<i>Million 480-lb. bales</i>				
1969/70-71/72 ...	55.5	56.9	56.4	57.0
1972/73	63.2	59.1	60.2	59.4
1973/74	64.0	60.2	62.4	60.6
1974/75	64.9	61.3	59.3	61.7
1975/76	55.0	62.4	63.0	62.9
1976/77	¹ 61.0	63.5	¹ 63.2	64.1

¹ Forecast.



approximated at 61 million bales, would be less than estimated consumption so that stocks, which dropped 7.2 million bales last season, will fall further.

World stocks in August 1976 totaled 24.1 million bales or 38 percent of 1976/77 anticipated consumption versus 50 percent the year prior.



The average monthly price of U.S. SM 1-1/16 inch cotton (cif, Northern Europe) climbed to a 1975/76 seasonal high of 87.5 cents a pound in July before tapering off slightly with the easing of earlier apprehensions about current season production prospects. Asia took 90 percent of U.S. cotton exports in 1975/76; the U.S. price in the Osaka-Japan market averaged 81.8 cents a pound in July and was 78.0 cents as of mid-August 1976.

Production

Production of world cotton in 1976/77 is expected to rebound to about 61 million bales, 10 to 12 percent above last season's low, but still below trend and estimated consumption. U.S. output is expected to reach 10.4 million bales, 25 percent more than last season (table 18). Outside the United States, output will rise probably about 8 percent but will still be below the 1974/75 record outturn of 53.4 million. Foreign non-communist exporting countries are expected to produce 10 to 15 percent more cotton than in 1975/76. Production is up in Central America, Asia, and Africa. India's output, however, could be only 5.5 million bales. In Pakistan, an anticipated record crop has been spoiled by heavy rains and flooding but still should be about 10 percent above last year. Higher support prices in Brazil are expected to lead to greater acreage planted this fall. Middle East cotton production is expected to be about the same level as last season, although Iran's crop may rise substantially. The USSR crop required some replanting after early-season damage from floods and earthquakes but now looks like a near-record output.

Consumption

A world cotton consumption of about 63.2 million bales is predicted for 1976/77, just above last season and still slightly below trend. Both groups of foreign non-communist and communist countries will each likely increase usage by about one-half million bales. But U.S. use may be down nearly one-half million bales as mills shift away from relatively high-cost natural fibers. Cotton mill use is expected to edge up only slightly in foreign non-communist importing countries because of higher cotton prices and slow economic growth.

Trade

The likelihood that foreign cotton consumption will exceed production by almost 6 million bales in 1976/77, together with small foreign cotton stocks, suggests a strong market for U.S. cotton. Foreign non-communist exporting countries—with stocks down about 30 percent at the beginning of the sea-

Table 18--Cotton production, exports, imports and mill consumption in selected countries and regions 1969/70-1975/76

	Production				Exports				Imports				Consumption			
	1969/70- 71/72 Average	1973/ 74	1974/ 75	1975/ 76 Average	1969/70- 71/72 Average	1973/ 74	1974/ 75	1975/ 76 Average	1969/70- 71/72 Average	1973/ 74	1974/ 75	1975/ 76 Average	1969/70- 71/72 Average	1973/ 74	1974/ 75	1975/ 76
	Million 480-lb. bales															
United States	10.2	13.0	11.5	8.3	3.4	6.1	3.9	3.5	.1	--	--	.1	8.2	7.5	5.9	7.2
USSR	10.1	11.8	12.9	12.1	2.5	3.3	3.6	3.5	1.0	.6	.6	.6	8.2	8.9	9.0	9.2
China, Peoples Republic	9.2	11.7	11.5	11.0	.1	.1	.2	.2	.5	1.8	.7	.7	9.5	12.0	12.5	12.7
India	5.1	5.6	6.0	5.7	.2	.3	.1	.3	.7	.2	--	.2	5.4	6.1	6.0	6.0
Pakistan	2.7	2.9	2.9	2.4	.7	.2	1.1	.4	--	--	--	--	2.0	2.3	2.2	2.2
Brazil	2.8	2.7	2.4	1.6	1.5	.7	.3	.4	--	--	--	--	1.4	1.8	1.7	1.9
Egypt	2.4	2.2	2.0	1.8	1.4	1.2	.9	.8	--	--	--	--	.9	1.0	1.0	1.1
Turkey	2.0	2.4	2.8	2.2	1.3	1.0	.6	1.8	--	--	--	--	.8	1.0	1.1	1.3
Mexico	1.6	1.5	2.2	.9	1.0	.7	.9	.6	--	--	--	--	.7	.8	.7	.8
Central America .....	.9	1.6	1.4	1.2	.8	1.0	1.3	1.3	--	--	--	--	.1	.2	.2	.2
Sudan	1.1	1.1	1.0	.5	1.0	.7	.5	1.0	--	--	--	--	.1	.1	.1	.1
EC-9	--	--	--	--	.1	.1	.2	.1	4.4	3.9	3.7	3.7	4.0	4.1	3.6	3.6
Eastern Europe .....	.1	.1	.1	.1	--	--	--	--	2.7	3.2	3.1	3.3	2.9	3.3	3.4	3.4
Japan	--	--	--	--	--	.2	.2	--	3.6	3.7	3.2	3.3	3.3	3.4	2.6	3.0
Hong Kong	--	--	--	--	--	--	--	.4	.7	.8	.8	1.0	.7	.8	.8	1.0
Taiwan	--	--	--	--	--	--	--	--	.6	.9	.7	.8	.6	.8	.7	.8
Korea, Republic of	--	--	--	--	--	--	--	--	.5	.8	.7	1.0	.5	.8	.7	.9
Other Countries	7.3	7.4	8.2	7.2	4.0	3.9	3.4	3.7	3.5	4.0	3.8	4.0	7.1	7.6	7.1	7.6
World Total	55.5	64.0	64.9	55.0	18.0	19.5	17.2	18.0	18.3	19.9	17.3	18.7	56.4	62.4	59.3	63.0

Source: Foreign Agricultural Service.

Table 19--U.S. cotton exports by destination, 1969/70-1975/76 1/

Country	Average 1969/70- 1971/72	1973/74	1974/75	1975/76
		<u>1,000 running bales 2/</u>		
Japan	730	1,312	646	646
China, People's Republic of ..	0	820	8	8
Korea, Republic of	478	722	693	693
China, Republic of (Taiwan) ..	0	542	507	507
European Community	(306)	(414)	(316)	(111)
Italy	75	124	98	53
Germany (West)	56	101	52	11
France	42	81	65	23
United Kingdom	65	60	38	10
Other EC	68	48	63	14
Hong Kong	100	356	73	126
Canada	261	258	186	131
Indonesia	221	223	72	233
Philippines	136	154	111	106
Bangladesh	0	92	48	138
Romania	49	89	44	---
Switzerland	27	78	58	29
South Vietnam	107	65	29	<u>3/</u>
Spain	20	35	58	17
Poland	30	30	22	32
India	191	---	---	---
Others	589	556	471	201
Total	3,245	5,746	3,746	3,178

1/ Years beginning August 1.2/ Export bales were, on the average, packed heavier than 480 lbs. net, so the total number of bales shown here does not agree with the net weight bales shown in table3/ Less than 500 bales.

Source: Foreign Agricultural Service.

son, compared with last year—will likely ship less cotton in 1976/77. The world export total in 1976/77 is not expected to rise much above 18 million bales (table 19). However, U.S. exports are predicted to gain 30-35 percent over last season. U.S. exports to India, which were negligible last year,

could exceed 200,000 bales, and larger exports to the PRC are possible this year. Egypt is expected to increase imports of short-staple cotton (while exporting about 1 million bales of higher priced long-staple) to 400,000 bales, partly from the United States. (*Robert D. Barry*)

REGIONAL AGRICULTURAL DEVELOPMENTS

Weather Developments

This summer's weather has been extremely variable and few areas have escaped without some problems. The Soviet Union has experienced an unusually wet summer, while most of Eastern Europe was dry and parts of Western Europe and southern England sweated out the driest summer in nearly 200 years. Indian monsoon rainfall has been above normal over the entire country, but erratic and poorly distributed. Pakistan produced a record winter wheat crop but corn and others crops were reduced by too much rainfall. China's weather may result in a crop below last year's level. The grain belt of Argentina finally received much needed moisture in August, but Australia continued extremely dry.

USSR

The Soviet farmer battled cool, rainy weather during much of the summer and excess moisture during harvest. A reasonably extended period of dry weather during the last half of August and early September aided the harvest and accelerated planting of fall grains. Cooler-than-normal weather associated with the moisture delayed the development and maturity of many row crops. Because of unusually good soil moisture conditions at this time, officials are encouraging increased seeding of fall grains.

Europe

Parts of the southern England, Benelux, and western France received no significant precipitation during most of the spring and summer, but Ireland and Scotland received normal or above precipitation. The Eastern European countries, except on the Balkan peninsula, also suffered from drought. Light rain fell in the drought area during late August, and good moisture fell during the first 15 days of September. A continuation of good, consistent rainfall is needed to overcome tremendous soil water deficits and refill reservoirs. The greatest problems will be the lack of fodder during the coming winter.

South Asia

The monsoon in India has been generally satisfactory, if erratic. Up through late August, the cumulative rainfall has been above normal in most regions. The areas receiving above normal precipitation account for approximately 98 percent of the season's summer-grown production. Rainfall amounts are similar to 1975, but less timely and less evenly distributed than this year. Good September rains are required for satisfactory harvest, but as of mid-September monsoon activity had diminished significantly.

Pakistan harvested a record wheat crop but other crops will be well below normal because of crop losses from flooding and excessive moisture.

China - Eastern Asia

In the People's Republic of China, official sources have indicated a record summer grain harvest (winter wheat, barley, oats, and pulses) despite some soil moisture shortages during the growing season. Because of weather conditions to date, it is doubtful that 1976 rice production will equal last year's record crop. Rain during early September enhanced prospects for quick germination of the 1977 winter wheat crop.

Rain in the Philippines has increased seasonal totals to more normal levels as the rainy season becomes more active.

Australia

Sparse rainfall continues to be a problem, particularly in the primary winter wheat growing areas. Some moisture, the first in many months, fell during the first week of September in the primary grain, livestock and fruit growing areas of the south.

South America

Good rains finally came to the grain belt of Argentina in late July and continued in early August. The timely and widespread rains encouraged the tillering of winter wheat. Cooler than normal temperatures have slowed the spring green

up. Rains the latter half of August relieved stress on coffee and other crops in Colombia. Dry weather continues in the northeast interior of Brazil.

Wheat and flaxseed planting was resumed and moisture conditions are considered very good for the beginning of corn, grain, sorghum, and sunflower seed sowing.

United States

The U.S. Corn Belt has generally received below normal precipitation, but earlier spring moisture carried major areas to the point where the largest

U.S. corn crop in history is expected. The most serious drought, in terms of intensity, was centered over southern Minnesota, the eastern Dakotas, Nebraska, and western Iowa.

California has experienced numerous problem due to a severe lack of moisture during the past winter. However, totally unexpected moisture during August has posed considerable problems to fruit and vegetable growers. Fruit splitting, spoilage due to moisture and delayed harvesting, moisture on drying raisins, and disease and insect problems have developed on a local basis. The moisture has reduced fire dangers and improved pasture prospects. (*Richard E. Felch, National Weather Service*)

UNITED STATES⁶

The U.S. food and agriculture situation is highlighted by prospects for another large grain crop despite recent weather damage to crops, record output of livestock products, and strong markets for U.S. farm products. Recent cuts in corn, sorghum, soybean, and cotton production estimates will tighten prospective supplies from earlier indication and firm up price and income prospects. Despite recent weather damage, the 1976 corn crop will likely be record large and total feed grain tonnage may match 1975's big crop. Moreover, a record wheat supply and low wheat prices are expected to encourage more wheat feeding to livestock in the United States and other countries. Weather here and abroad will continue to influence the outlook for U.S. agriculture in 1976/77.

Likewise, general economic developments here and abroad are critical in determining the utilization and prices of U.S. farm products. Domestic markets for agricultural products are expected to expand further into 1977. The U.S. economy is in a fairly well-balanced recovery with rising employment and increasing consumer purchasing power.

Export demand for U.S. agricultural products remains strong. However, the larger world crops now indicated will probably reduce U.S. export volume slightly from 1975/76's record high. But exports will depend on further world crop developments and on domestic supply-demand conditions for major crops.

Livestock output and feed use of grain will continue to expand in the 1976/77 feeding year, but gains will be smaller than the relatively rapid expansion in the past year. The increase in feeding of feed grains and wheat, combined, may total around half the 12-percent increase of the 1975/76 feeding year. Short supplies of soybean meal and high prices will likely reduce feed use from the very high rate of 1975/76. Even so, use of high protein

feed per animal unit would still be pretty much on trend.

Placements of cattle on feed, pig crops, and the broiler hatch suggest continued large supplies of livestock and products through the rest of 1976 and into 1977. Although beef production will probably drop below year-earlier levels by early 1977, larger output of pork and broilers will be more than offsetting. Total meat production should be up around 5 to 6 percent from a year ago in October-December, with year-to-year increases narrowing in the first quarter of 1977. Milk and egg production is expected to continue above a year ago early next year.

Farmers are expected to market a record volume of crop and livestock products in 1976. However, strong domestic and foreign demand will help bolster prices. Accordingly, net farm income is expected to hold around the levels of recent years.

Continued large food supplies in prospect for the rest of 1976 and early 1977 will push per capita food consumption for all of 1976 some 2½ percent above 1975's depressed level. Per capita food supplies in general are likely to continue large into next year.

Retail food prices have been relatively stable in 1976 in contrast to the rapid increases of the preceding 3 years. Food prices are likely to continue relatively steady in coming months and close out the year averaging about 2 percent above fourth quarter 1975. Recent market price trends and prospects of big supplies suggest that retail food prices in 1976 may average around 3 percent above a year earlier, the smallest year-to-year increase since 1971. (*Robert R. Miller, National Economic Analysis Division*)

⁶This section is based on a more detailed discussion of the U.S. agricultural situation published in *Agricultural Outlook*, AO-15, USDA, October 1976.

Other Developed Countries

Drought Losses Severe

Drought conditions which plagued much of Western Europe in the spring also prevailed during the summer, in spite of temporary relief in late July. The total 1976 grain harvest of nearly 124 million metric tons is 5 percent below last year's crop, and 9 percent lower than the 1971-75 average. Wheat, however, is up in both EC and non-EC countries—to a total of 51.0 million tons—due to an increase in area which offset yield reductions. Coarse grain production is down by nearly 7.0 million tons in the EC (to 52.1 million tons) and 2.0 million tons in the rest of Western Europe (to 20.5 million tons). However, the final outturn is still uncertain. France has suffered the greatest losses within the EC, and Spain in the non-EC countries. Smaller producers such as Ireland, Greece, Sweden, and Norway, not affected by the drought, had larger grain harvests than in 1975.

In midsummer, pastures were burned up in many areas of Western Europe and farmers were already feeding hay and silage normally reserved for winter. Continued drought conditions hindered the growth of catch crops planted to replace forage already used.

The EC potato harvest is generally of poor quality and even smaller than last year's disastrous crop. Production of sugarbeets and of most vegetables, apples, and pears, has also been curtailed. Price increases are anticipated for potatoes, as well as for fruits and vegetables.

A drought in southeastern Australia during March-July 1976 led to downward revisions in the estimated output for the 1976 wheat crop, which will be harvested starting in November. At the end of July the revised estimate by the Australian Wheat Board (AWB) put the harvest at 7.75 million tons, compared with an earlier forecast of about 12 million tons, and a 1975 crop of 11.7 million tons. In August, however, Victoria received a substantial amount of rainfall. Partly because of this, the 1976 crop may significantly exceed the AWB's forecast.

In Canada, weather conditions were favorable and helped produce a wheat crop of about 20 million tons—the largest since 1966. Coarse grain production is forecast at about 20 million tons, up somewhat from last year. Most of this increase is expected to come from a larger oats crop. Production of rye, barley, and corn is expected to be down somewhat, due to reduced area.

Livestock Prospects Mixed

Largely as a result of early cullings prompted by the drought, the slaughtering of cattle increased in much of Western Europe (particularly France, West Germany, and Italy) during early summer, and

slaughter rates rose above year-earlier levels. In spite of special measures to support beef prices, rising feeding costs are expected to bring about a sharp increase in slaughter during the remainder of the year. In the first half of 1976 most slaughter rates were below year-earlier levels. As a result, the EC estimates that in 1976 beef production will drop only by 3 percent, instead of the 6-percent decline estimated earlier.

Hog and poultry numbers as well as pork and poultry meat production are on the upswing in the EC. Total poultry meat output is expected to be up 5 percent in 1976, pork 1 percent. Outside the EC, poultry meat output should go up by about 6 percent.

Some decline in EC milk production should result from the drought during the rest of 1976. This, together with the compulsory incorporation of nonfat dry milk into animal rations (WAS-10, p. 41) and other disposal measures, could moderate or eliminate further increases in stocks of dairy products.

Pasture conditions in the drought zone of southeastern Australia have been disastrous for dairy, beef, and sheep. Owners have sacrificed many dairy cattle and sold beef animals at tremendous discounts. The outlook has improved since the August rains, however.

In Canada, hog numbers are increasing slowly. On July 1, 1976, total inventories were up 4 percent from a year earlier. The hog slaughter in August was down 10 percent from August 1975. Beef output was running at about 11 percent above the previous year's level.

Trade Outlook

Western Europe's total demand for concentrates in 1976/77 is expected to be higher than in 1975/76, partly because of low supplies of forage.

Imports of feed grain from the United States are expected to reach a new high and could exceed by 2.5 to 3.0 million tons the 1975/76 (July-June) total of 18.6 million tons. Exports of grain from Western Europe should drop substantially, with larger amounts of EC wheat going into feed. The EC was a net exporter of wheat for the past 2 years, but in 1976/77 exports should be about equal to imports. As of early September, it appeared that most, if not all, of West Europe's increased demand for protein feed would be met through imports from non-U.S. sources, due mainly to the relative supply situation in the United States and Brazil.

The EC may remain a small net exporter of sugar, but shortages of potatoes may reoccur this year. There might be opportunities for U.S. exports of those fresh or processed fruits and vegetables that will be in short supply.

An understanding between the Japanese Minister of Agriculture and the U.S. Secretary of Agriculture that Japan would purchase, and the United States would supply, at least 14 million tons of grain and soybeans each year in fiscal years 1976-78 was fulfilled in fiscal 1976. Grain exports came to 11.3 million tons and soybean exports to 3.2 million tons. This year, total Japanese consumption of feed grain and soybean meal may increase significantly.

Policy Actions

EC decisionmakers have begun examining a package of proposals that purports to reduce the EC chronic dairy surplus. One of the proposals calls for a tax on vegetable oil. This would in fact impose an indirect tax on imported soybeans in order to make dairying less profitable by raising the cost of soybean meal, and to promote the use of EC surplus butter by raising the price of oil and margarine. The U.S. government has voiced strong concern over this proposed tax in view of the adverse impact it would have on U.S. exports.

Increased slaughter has virtually eliminated the possibility that the EC may ease its restrictions on imports of beef in the immediate future. Drought-related EC regulations require a slowdown in the granting of import licenses for beef under the "jumelage" system (WAS-10, p. 40) and an increase in the level of export subsidies for beef and pork. Some other drought-related EC actions are: suspension of the import levy on potatoes from third countries from August until the end of 1976, doubling of the reduction applicable to the import levy on feed grain going into Italy during the 1976/77 marketing year, a tax on exports of forage products, and the temporary suspension or reduction of duties on imports of certain fresh and frozen vegetables.

Modifications in the Canadian feed grain policy became effective in August 1976. These include reduction or elimination of feed freight assistance rates on Canadian grain moving from the Prairies into Ontario, Western Quebec, and British Columbia. In addition, the Canadian Wheat Board will set the price of barley, oats, and utility wheat it sells outside the Prairies at levels competitive with U.S. corn.

On July 1, 1976, Japan increased the price of imported wheat to millers an average of 16.4 percent. The resale price of rice to processors was raised 10.2 percent (effective September 1, 1976), making wheat relatively more expensive. This is

part of Japan's current policy to stem the decline in per capita rice consumption and to curb the increase in wheat consumption. Japan's rice supply is produced wholly in Japan (with many imported inputs) and wheat is almost entirely imported—over half from the United States. (*Omero Sabatini*)

USSR

Soviet agricultural production in 1976, although aided by generally favorable conditions during the current growing season, is being held back by the effects of poor feed supplies and distress slaughtering last year. Crop production this year is expected to be near a record high level but production of livestock products, particularly meat, likely will be well below the record set in 1975.

Grain harvesting got off to a late start and then was slow because of cool, rainy weather this summer. By mid-August, only about a third of the grain area had been harvested compared with somewhat more than half by the corresponding date in recent years. However, after mid-August the harvesting tempo increased sharply and by mid-September the progress compared favorably with that in recent years. By September 20, a total of 111.9 million hectares of grain had been cut—90 percent of the total area on collective and state farms—and 105.4 million hectares threshed.

The total grain area in 1976 is expected to be close to 129 million hectares—somewhat larger than the 127.9 million last year, which was the largest grain area in the past 10 years.

The Soviets likely will announce later this year the harvest of a bumper grain crop in 1976. The planned goal of about 205 million tons apparently has been exceeded. Weather and crop conditions through June pointed to a harvest about equal to the 195.7 million tons produced in 1973—the second best crop on record in the USSR. Good precipitation during July and early August, particularly in those areas which frequently experience moisture shortages, is believed to have improved grain crop prospects. However, the heavy precipitation in European USSR during this harvesting period will result in above-average moisture and foreign matter in the 1976 Soviet grain crop and a rather large amount of relatively poor quality grain is likely.

The Soviet Government is expected to purchase at least 85 to 90 million tons of grain out of the 1976 harvest from their farms. Such an amount would be close to the record high 90.5 million tons

purchased in 1973 and far above the 75 million tons procured in 1966—the second largest quantity purchased previously. Many administrative subdivisions during the past 2 months have pledged to deliver record or near-record amounts of grain to the State this year.

The effect of the cool, rainy weather on potatoes, sugarbeets, and sunflowers is still very uncertain. A late-August report stated that in parts of the Ukraine, waterlogged soil was a problem for potatoes and may have extended into the northern half of European USSR. Nevertheless, Leonid Brezhnev stated at the beginning of September that the crop of sugarbeets, sunflowers, and cotton “is not bad.” The rainy weather could result in a large sugarbeet crop but one with a relatively low sugar content. In addition, the torrential rains and earthquakes last spring apparently had only a limited, temporary effect on the cotton crop.

Livestock product output this year will be below the record level achieved in 1975 because of distress slaughtering of hogs and poultry last year and very limited feed supplies earlier this year as a result of the 1975 drought. Soviet industrial meat production during January-July 1976 was a million tons less than the 4.9 million produced during the corresponding 7 months of 1975. Total Soviet meat production in 1976 is expected to be close to 2 million tons less than the 15.2 million-ton record produced in 1975. Industrial milk production in the first 7 months of 1976 is running 4 percent less than for the same months in 1975.

Changes in livestock numbers on collective and state farms between January 1 and August 1, 1976 suggest that total Soviet livestock numbers on January 1, 1977 will be smaller than a year earlier. Cattle and cow numbers at the beginning of 1977 should be little, if any, larger than on January 1, 1976, while sheep and goat flocks, as during 1975, will continue to decrease somewhat. Changes in hog and poultry numbers on collective and state farms suggest only partial recovery from the distress slaughtering last year although a large fall pig crop and rapid development in poultry raising during the second half of 1976 would significantly improve the rate of recovery in hog and poultry inventories by the end of this year.

Fall plowing and seeding got off to a late start this year because of the delayed small-grain harvesting and wet soils. However, by September 20, 1976, a total of 29.8 million hectares of winter crops had been sown, 73 percent of plan, and fall plowing had been completed on 33 million hectares. The good supplies of soil moisture are described by Soviet officials as extremely favorable for winter crops and the winter grain area is to be expanded by about 5 million hectares to a planned level of 41 million. (*Fletcher Pope, Jr.*)

Practically all small grains were harvested in the region by the end of August. Unusually hot and dry weather in July caused sudden ripening and reduced yields in the northern parts of the region. Average yields have been reported in Bulgaria, Romania, and Yugoslavia. The total harvested grain area remained close to last year's level of 29 million hectares, including 21 million of small grains, but the estimated production of 85 million tons is less than in any of the last 4 years. The small grains suffered serious losses, while the corn crop, estimated at 26 million tons, will be above the 1973 and 1974 levels, but less than last year's record.

Combined area for sunflowerseed, soybeans, and rapeseed will be up from 1.8 million in 1975 to 2 million hectares, reflecting increases for soybeans and rapeseed sowing. The most significant increase is in Romania, where in 1975, late-sown corn replaced 100,000 hectares of flooded land designated for soybeans. The rapeseed harvest, at about 1 million tons, is close to the average for the last 4 years.

Sugarbeet area of about 1.6 million hectares is little changed from last year's level, although Poland has reported a 50,000-hectare increase. Potato area continued to decline—to 4.1 million hectares. The serious drought reduced the harvest prospects on all crops including sugarbeets, potatoes, forages, vegetables, and fruits, putting in jeopardy the usual domestic food and feed supply.

To alleviate feed shortages, catch crop sowing was intensified, reaching about 1 million hectares in the German Democratic Republic (GDR) and nearly as much in Poland. In an effort to conserve feed supplies, burning of straw is strictly prohibited everywhere in Eastern Europe. Farmers are getting emergency credit for buying concentrated feed or seeds.

In spite of measures taken in the wake of the feed shortage, distress slaughter of livestock on private farms in Poland and in private households in Czechoslovakia, GDR, and Hungary is inevitable. According to data available, livestock inventories in the first half of 1976, compared with the same months in 1975, were down in the drought-affected countries. The cattle population declined 2 to 5 percent (except in Czechoslovakia) and the hog population declined 2 to 9 percent. The tight feed supply indicates that herd reduction may intensify during 1976/77.

During 1975/76, Eastern Europe imported about 12 million tons of grain—1 million tons more than

⁷Bulgaria, Czechoslovakia, German Democratic Republic (GDR), Hungary, Poland, Romania, and Yugoslavia.

in 1974/75—while exports from the region totalled 3 million tons, down 1 million. For 1976/77, grain imports may reach, or even exceed, 13 million tons and exports may decline to 2 million. Oilmeal imports in 1976 are expected to reach 3.5 million tons as in 1975, with soybean meal again counting for 2.5 million tons.

The United States exported about 6 million tons of grain and 1 million tons of soymeal to the region in fiscal 1976. The total U.S. agricultural export value reached almost \$1.1 billion. It is expected that the United States will export about 7 million tons of grain and about 1 million tons of oilmeal to the region in fiscal 1977.

Only Poland, Romania, and Yugoslavia have been eligible for CCC credit. Poland, with a credit allocation of \$86 million, became the second largest user of CCC credit in fiscal 1976. Romania received \$47 million and Yugoslavia a \$38 million credit line.

To stimulate supply, Hungary, Poland, and Yugoslavia approved selected producer price increases. These increases were partly offset by higher input prices.

Hungary and Poland also announced consumer price increases. In early July, meat prices in Hungary were up by an average of one-third. The Polish Government's meat price increase was much steeper. The meat prices were supposed to increase about two-thirds on the average; in addition, sugar prices were slated to double and all other food prices to increase with the exception of cereal and cereal products. But, due to adverse population reaction in a few industrial cities, the Polish price increases were withdrawn before becoming effective. Now new proposals for consumer price increases are under open discussion. The new proposals are less drastic but still substantial; they include an initial 35-percent rise in the average price of meat and meat products.

The circulation of proposals to increase meat prices, the inadequate food supply in shops, and the drought-reduced harvest prospects made some consumers suspect that general food shortages and price increases are unavoidable in Poland. This suspicion probably generated the hoarding of non-perishable food, particularly sugar. As a counter-measure, the Polish Government had no alternative but to allocate the sugar supply. The head-of-household, spouse, and children under 14 years of age receive monthly rations of 2 kilograms; other household members receive 1 kilogram—all at unchanged prices. Specially selected shops in large cities are designated to sell non-rationed sugar at a price 150-percent higher.

The fear of eventual food shortages spilled over to neighboring Czechoslovakia, where flour hoarding began. The Czechoslovak Government

maintains that it has no intention of raising prices and is calming the population by explaining that the food use of grain is just one-fifth of the total grain production, and if required, the feed shortfall will be replenished through imports. Slovakia had a fair grain harvest; only North and West Bohemia experienced serious shortfalls. (*Thomas A. Vankai*)

People's Republic of China

Grain prospects in the People's Republic of China (PRC), as of the first of September, were less promising than last year. The mid-August-December period is the most important of the agricultural season. During that period about 60 percent of the grain crops (the late grain harvest) and most of the industrial, or commercial, crops are gathered. Despite numerous official claims of increases in both output and yields, production of many crops harvested to date has not reached expected levels of output, nor equaled the 1975 output. This had been due primarily to unfavorable weather, since officials have revealed that the preparations for this year's crops (water conservancy, farm capital construction and repairs, reclamation of new land, etc.) far exceeded those of any previous year. Thus, an even greater effort will be needed during the remainder of the crop year if official goals of higher production are to be attained.

A preliminary summary of the early harvest results—about 40 percent of the PRC's grain crops—suggests that the output of these crops, at best, was disappointing and did not reach the officially projected level. USDA's preliminary estimate is that the aggregate of the early harvested grain crops is slightly less than in 1975, but still near record levels.

On an individual grain basis, this means that the total wheat crop was about equal to the 1975 record crop, and is tentatively estimated at 39 million tons. It is estimated that the winter wheat crop (about 87 percent of total wheat) slightly exceeded the one in 1975. However, the shortfall in spring wheat (about 13 percent of total wheat) probably offset that gain. Other summer-harvested grains (barley, oats, and pulses) also appear to be at about 1975's level, or slightly larger (especially barley).

The output of the early rice crop appears to be smaller than the record high crop in 1975. An official report (Peking, August 24, 1976) purporting to include the total early rice crop was evasive in the assessment of that crop. The report stated that "increases were reported in all the 13 major early rice growing areas south of the Yangtze River—11 provinces, rural Shanghai, and the Kwangsi Chuang Autonomous Region—the only exception

being a few areas where there were slight drops in output due to poor weather."

Prospects for the late harvest crops are mixed. These include the major portion of miscellaneous grains, the intermediate and late rice crops, tuber crops (primarily Irish and sweet potatoes), soybeans, other oilseeds, and other industrial crops (cotton, tobacco, and sugar crops). Weather patterns in general have favored the North China Plain area with above-normal precipitation during July and August. Precipitation generally has been below normal in parts of South, Southwest, Central, East, and Northeast China, but the distribution has been fairly uniform. Precipitation was normal to above normal in all areas, except South China, during the first part of September.

The outlook for miscellaneous grains and tuber crops appears favorable in light of weather conditions. Soybeans remain questionable because of the long dry period in Northeast China. Heavy rains in mid-to-late August in North China aided many crops, but probably caused waterlogging in some low lying areas. Growth of the intermediate and late rice crops has been hampered somewhat due to the lateness of the early rice crop, and the delayed season probably will affect yields. Meteorological reports in South China, particularly for Kwangtung Province, indicate that "cold winds" may arrive earlier than last year, and could "seriously affect the production of late rice." Because of the apparent smaller acreage of intermediate rice (due to the transfer of sizable areas to early rice this year) and the unfavorable outlook for the late rice crop, it appears likely that the PRC's total rice crop will be less than last year's record rice crop.

No official information is available on the industrial crops, of which cotton is the most important. The claimed increase in acreage, assuming favorable weather for the remainder of the growing season, should result in a crop equal to or slightly larger than the poor crop in 1975. Judging from weather conditions during the growing season, the tobacco and sugar crops should about equal those of last year. Generally little, if any, official information is available on crops other than grains until well after they have been harvested. (*Marion R. Larsen*)

Asia

Weather has been the key to agricultural developments in Asia during the last few months. For most Asian countries, drought has curtailed agricultural output, lowering rice production estimates in India, Indonesia, Thailand, and Sri Lanka. Although recent rains have improved food grain prospects in India, a drought during June and July in major rice areas is expected to reduce the 1976/

77 Indian crop by 8 to 10 percent. Flooding in Pakistan in early August will adversely affect the current rice and cotton crops. Good weather has prevailed in Bangladesh and the Philippines.

Abundant and widespread monsoon rainfall in August brought relief to suffering rice and coarse grain crops in eastern and southern India, except in Tamil Nadu. Prospects for India's 1976/77 food grain production have improved, and it now appears that output might be in the 110 to 113 million ton range. Rice production might be down 8 to 10 percent from the record level in 1975/76 estimated at 47.4 million tons. Coarse grain production in 1976/77 is likely to be near the 1975/76 level estimated at 30 million tons. Excellent rainfall in western India this year has been beneficial to sorghum and millet crops.

A major remaining problem is the lack of irrigation water for rice in Tamil Nadu. Rice yields in Bihar, Uttar Pradesh and Madhya Pradesh are likely to suffer in 1976/77 because of inadequate rainfall in June and July.

India's grain imports are scheduled to decline in 1976/77 to about 4 million tons—down from 7 million tons in 1975/76. Imports of wheat from the United States will decline some, even more from the European Community and Australia. Yet, total agricultural imports by India in the next 12 months are likely to remain strong. Imports of vegetable oils, cotton, dairy products and wool are likely to rise sharply. India's total agricultural imports are expected to remain in the vicinity of \$1.5 billion annually.

The rise in world cotton prices and concern among textile manufacturers has caused U.S. sales of cotton to South Korea, India, Indonesia and Hong Kong to increase recently. Hong Kong recently purchased about 100,000 tons of U.S. cotton when difficulties were encountered in obtaining cotton from Pakistan and some Latin American suppliers.

A prolonged drought in Java following earlier floods and pest infestations is threatening to reduce further Indonesia's 1976 rice crop. The off-season crop, which is harvested in October and November and normally accounts for about 30 percent of the annual rice outturn, was not planted by mid-August in many sections of the country. If this crop is down slightly from the previous year, Indonesia's 1976 rice harvest may be only marginally above the 15.3 million tons of the previous year. BULOG, the Government rice procurement agency, has revised its 1976/77 rice import requirements upward to 1.7 million tons. While Thailand will be Indonesia's major source of rice, the United States will supply at least 350,000 tons through P.L. 480; however, Indonesia has not yet contracted for much of its remaining rice needs.

The Philippine rice and corn crops appear excellent and virtual self-sufficiency should be reached in both crops. Devastating typhoons and a recent earthquake have not seriously affected the agricultural sector. While some damage to the coconut industry was reported, the rains accompanying the typhoons helped the current rice crop.

Drought problems in June and July have had an effect on the main rice crop in Thailand. Normal rainfall through the rest of the season, however, will probably result in average rice yields and an estimated total production of 9.6 million tons for the combined main and secondary harvest in 1976/77.

The drought during mid-June and early July has also damaged the 1976-77 Thai corn crop. The current production estimate of 2.7 million tons is 0.5 million below the official pre-season target. Total Thai corn exports are expected to be reduced from 2.5 to 2.0 million tons.

Thailand's rice exports during the first 7 months of 1976 were 1 million tons, approximately 400,000 tons higher than for the same period in 1975. Shipments of sugar to Japan, Malaysia, PRC, and the Netherlands for January-July 1976 totalled 738,000 tons.

Bangladesh rice production is projected at 12.7 million tons in 1976/77, a slight decrease from last year's exceptional harvest. These two consecutive large harvests, coupled with large concessional imports of food grains, have created temporary abundance but also overwhelmed the storage and distribution system. Bangladesh plans to better coordinate the timing of the concessional food grain arrivals, and to improve the storage and distribution system.

Flooding in Pakistan in August damaged wheat that was recently harvested and temporarily stored in the fields or near villages in mud store houses, making necessary larger wheat imports. Rice and cotton, major foreign exchange earning crops, were also damaged severely. Pakistan's rice exports are not likely to reach the targeted 1-million-ton level. Cotton and cotton product exports will also be reduced.

Sri Lanka's second rice crop, which normally totals about 300,000 to 400,000 tons, may not be more than 118,000 tons in 1976. As a result, the government is expecting to import more rice and wheat flour during 1976/77.

Latin America

The agricultural situation in Latin America through August indicated a 1976 recovery in production to near-normal trends approximating the population growth rate of 2.7 percent. Adverse weather cut harvests of Brazilian coffee and Argentine feed grains sharply below year-earlier

levels and prospects for later crops were reduced by adverse weather in Argentina, Chile, Venezuela, Guyana, and northeast Brazil. Persistent dry conditions continued to limit irrigation water supplies in northern Mexico, but growing conditions remained favorable in other Latin American areas and plantings of food and export crops continued to expand in response to higher prices and other incentives in most countries. The recovery trend was strengthened by a general improvement in the livestock situation associated, partly, with increased beef exports.

The region's agricultural trade was influenced by rising price levels and slowing of consumer demand as serious balance-of-payments problems encouraged efforts to stimulate exports and restrict imports in most countries. Exports of cotton and feed grains reflected below normal supplies in the principal exporting countries but meat shipments rose sharply at higher prices and most countries drew heavily upon coffee supplies in response to a strong advance in the world price. Exports of most other commodities exceeded 1975 volumes and total trade earnings through midyear were up significantly despite lower prices for sugar, grains, and oilseeds. Wheat imports increased sharply mainly because of a small 1975 harvest in Brazil, but other commodities continued a downtrend in face of lower prices. These trends were reflected in U.S. agricultural trade with Latin America for January-July; imports increased from a 1975 value of \$2.21 billion to \$2.51 billion in 1976 as exports fell from \$1.33 billion to \$1.17 billion.

Argentina's small April-May 1976 harvests of corn (5.8 million tons) and sorghum (4.8 million tons) will limit export supplies of the two grains to about 4.5 million tons compared with nearly 6 million in 1975/76 and 8 million the 2 previous years. However, larger soybean and sunflowerseed crops will provide for a sharp rise in exports of vegetable oils and oilseed meals. Midyear drought delayed seedings and early growth of wheat but the situation improved with August rains and the late 1976 crop is forecast to exceed 9 million tons compared with the large 1975 harvest of 8 million tons. Current estimates indicate that a strong recovery in beef production will more than double 1975 exports of 265,000 tons.

Brazil's frost-damaged 1976 coffee crop was less than one-half of the 1.4 million tons for 1975, but exports only partly reflected the decline because of lower consumption, a drawdown of stocks, and Brazil's contracting imports, reportedly to provide supplies for its soluble coffee industry. Production of corn and rice was up sharply above previous records and corn exports are estimated at a new high of 2 million tons this year. The soybean area continued a record expansion and, despite some

weather and insect damage, will provide for a further increase in exports. A strong recovery is anticipated for sugar despite the effects of serious drought in the northeast. An unusually strong rise in sales of improved seed under the wheat improvement program indicates that 1976 production may be well above the 1974 high of 2.8 million tons. If current optimistic forecasts are realized, wheat imports could fall from the 1975/76 level of 3.6 million tons to about 1.2 million tons during 1976/77.

Mexico's agricultural production recovered to record levels in 1975, and with some slowing of consumption and drawdown of stocks, imports through mid-1976 fell to nearly one-half the year-earlier values. Exports rose sharply with larger earnings from coffee, fruits and vegetables, cattle, and beef. Wheat production for 1976 is estimated near the 1975 record of 2.8 million tons and a moderate recovery is forecast for cotton. However, plantings of soybeans and sunflowerseed were reduced sharply, partly because of limited water supplies in northern irrigated areas. Heavy July rains and flooding of croplands in central Mexico may result in a decline in production of corn and other basic food crops from last year's records and may contribute to a need for increased exports in the coming year. However, the recent devaluation of the peso, estimated at about 30 percent in terms of the U.S. dollar, may tend to place further restrictions upon consumption and imports of agricultural products and to stimulate exports, particularly of feeder cattle and horticultural products.

Production in other Latin American areas will provide some expansion in export supplies—particularly of coffee, sugar, and bananas—and will tend to restrict imports of grains, oilseeds, and related commodities. Chilean grain and oilseed harvests were reduced by unusually dry weather and later by rains and flooding, while rice crops suffered from wet weather in Venezuela, and Guyana. However, production of food and export crops reflected expansion in area and favorable growing conditions in Colombia, Peru, and Ecuador; Central American and Caribbean agriculture has recovered from the effects of adverse weather in 1974/75. (*Howard L. Hall*)

Africa and West Asia

North Africa

The excellent 1976 cereal harvest in Morocco, Algeria, and Tunisia will reduce the wheat import requirements for these three countries to about 1.8 million tons in 1976, compared with 3.1 million in 1975.

Egypt.—Agricultural production in 1976 in Egypt should increase more than the 1 percent reg-

istered in 1975. The increase in Egyptian agricultural imports in 1976 may exceed 10 percent, reaching \$1.7 billion. Wheat and wheat flour account for about half of the value of Egypt's total agricultural imports. Strong gains in imports of meat, dairy products, tea, and oilseed products are seen for 1976.

West Africa

Ghana.—On June 20, 1976, the Ghanaian leader, General Ignatius Acheampong, announced 25-percent increases in producer prices paid by the Ghana Cocoa Marketing Board to the equivalent of 23.2 cents per pound for cocoa beans and to 36.25 cents for coffee. General Acheampong expressed the hope that Ghana's limited coffee production would develop to the volume of cocoa, of which Ghana is the world's largest producer.

Nigeria.—In furtherance of its Operation Feed the Nation, the Nigerian Federal Military Government plans to set up 10,000-hectare (24,700 acres) plantations in each of the country's 19 states to grow grains and beef and dairy cattle. The National Grains Production Company (NGPC—a Nigerian Government entity) will contract with foreign agribusiness firms with proven records to clear, irrigate, fertilize, and cultivate before turning the land back to the original operators to be farmed in small plots.

Each 10,000 hectares will have a headquarters "nucleus" run by the NGPC which will provide seeds, technological expertise, management counsel, and mechanized equipment for hire. Each contractor will be encouraged to stay on either as a 10-percent owner of the nucleus or under a management contract.

Eastern and Southern Africa

Kenya.—The "long" rains in Kenya were generally late and below normal in many of the major crop-growing and range/ranch areas of the country this year. The Eastern Province and pastoral areas are most severely affected, and disaster relief is required in some areas.

Both corn and wheat deliveries to the marketing boards are expected to be down 9 to 15 percent from the 1975 levels. Carryover stocks are fairly high, however, and imports are not expected.

Rainfall was adequate, however, in tea-growing areas where output may have increased as much as 10 percent to a record 62,000 tons. Exports are expected to reach a new high, continuing the steady trend which made tea the second largest export earner after coffee in Kenya.

Angola.—In the wake of the civil war, Angola will require increased grain imports. Angola normally exports 100,000 tons of corn and imports 100,000 tons of wheat.

Democratic Republic of Madagascar (formerly Malagasy Republic).—The projected decline in rice imports has been slowed by drought in scattered regions during 1976 and continuing difficulties in the operation of the nationalized system of rice marketing.

Mozambique.—Formerly self-sufficient in rice, Mozambique will require at least 50,000 tons of rice in addition to normal wheat imports—about 100,000 tons.

Zaire.—Wheat imports by Zaire are expanding 10 to 15 percent per year because of rapid growth of the urban areas where bread consumption is increasing rapidly. Current annual wheat imports of 120,000 tons are largely from the United States. Corn production increased to 420,000 tons last year due to an increase in the minimum producer price and to liberalization of the corn marketing system which allowed private traders to buy from farmers. Despite increased rice production, Zaire will receive 49,000 tons of rice in 1976 from the United States under P.L. 480 and CCC programs. Cotton production has declined so much that Zaire imported 3,000 tons of P.L. 480 cotton for its textile industry.

West Asia

Iran.—This is a very good agricultural year in Iran. Wheat production is a record 5.5 million tons, up nearly 10 percent from last year. Wheat imports are projected at 900,000 tons for the coming year. Rice production is almost unchanged at an estimated 800,000 tons (milled). Rice imports are estimated at 250,000 tons.

Iraq.—Agricultural output in Iraq is up sharply in 1976. Wheat production was almost double the 860,000 tons harvested in 1975.

Iraq's total agricultural imports this year are likely to approach \$1 billion—up from about \$700 million in 1975. Arrivals of rice from Pakistan and

the United States remain strong. Imports of wheat from the United States and Australia in 1976 will exceed the level recorded in 1975. U.S. agricultural exports to Iraq include larger sales of frozen poultry, tallow, and tobacco.

Israel.—Drought reduced the Israeli wheat harvest 25 percent below last year. Wheat imports for 1976 have been revised upwards to nearly 500,000 tons.

Jordan.—The 1976 wheat crop in Jordan (East Bank) is estimated at 68,000 tons, up 36 percent from the disastrous crop of 1975. This is the second consecutive poor crop and as a result wheat imports are expected to reach 255,000 tons in fiscal 1977, with about 70 percent likely coming from the United States.

Saudi Arabia.—The new public trading company of Saudi Arabia, The Saudi Supply Company, was initiated in July 1976. It will make relatively large purchases of cereals, oilseeds, meat, frozen poultry, and certain processed foods. Its main purposes include: forcing a reduction in retail food prices, providing a more regular flow of imported food, and providing a modern food distribution system for new suburbs and smaller cities. Total agricultural imports in 1976 are likely to reach \$1 billion—double the value recorded in 1974. Imports of rice are likely to reach 300,000 tons. In terms of wheat equivalent the combined imports of wheat and wheat flour in 1976 will range from 800,000 to 850,000 tons.

Turkey.—A record 12.5 million tons of wheat were harvested in Turkey in 1976, surpassing the previous high established in 1975 by 8.7 percent. Turkey has approximately 2 million tons of soft wheat for export. Prices offered for the wheat have been far below the Turkish support price of \$171 per ton. Other grains, primarily barley, also established new highs. Sugarbeet production was a record, and Turkey will not need to import any raw sugar.

WORLD FOOD AND TRADE POLICY DEVELOPMENTS

Multilateral Trade Negotiation's

Little progress has been made in narrowing the differences between some major trading countries at the Multilateral Trade Negotiation's (MTN's). One of the most important actions during the June and July sessions was the agreement to establish a Subgroup on Government Procurement. For some time, the United States has played a leading role within the Organization for Economic Cooperation and Development in pushing for the completion and adoption of an international code on government procurement.

At the July Safeguards Group meeting the United States proposed an improved multilateral safeguard system which would set up guidelines on temporary import restrictions for countries whose domestic producers are hurt by increased imports. The proposal covers all forms of import restraints and provides for improved procedures dealing with notification, consultation, monitoring, and settlement of disputes. Countries operating according to specific guidelines and conditions would not be subject to retaliation or compensation. The U.S. proposal is for a code to supplement Article XIX of the General Agreement on Tariffs and Trade.

In July the EC presented its long awaited tariff reduction formula which is aimed at harmonizing the tariff structure. The formula involves four steps, each reducing each duty by the same percentage as its ad valorem rate. There were mixed reactions to the formula, with the United States noting that the overall tariff reduction would be small, particularly the reductions in the 5 to 15-percent range—where most tariff categories exist and most trade occurs. In contrast to the U.S. tariff proposal, presented in March, the EC formula would not apply to agricultural products, to which nearly all the Community's high duties are applied.

The EC's proposal for a new consultative body on world beef trade and its proposal for improvement of the existing international dairy arrangements were discussed further in the Meat and Dairy Subgroups, as were measures affecting grain trade applied by individual countries in the Grains Subgroup. For trade barriers affecting products not covered by the grains, meat, and dairy subgroups, procedures have been established for consultation. However, the United States will not hold consultations until there are reporting procedures which demonstrate that these consultations do not imply that agricultural products must be negotiated separately from other products.

In the interim, the United States is holding bilateral consultations with developing countries on its March tropical products offer which includes a number of agricultural products. The U.S. has reaffirmed its position in the Tropical Products Group to seek reciprocity from countries benefiting from its Most Favored Nation concessions.

International Commodity Agreements

The United States on August 23, 1976, ratified the new 6-year International Coffee Agreement of 1976 (ICA). The Agreement, which is scheduled to take effect October 1, 1976, is the outgrowth of nearly a year of negotiations between 43 exporting nations—all developing countries—and 18 importing countries, including the United States.

The new ICA contains no fixed price objectives and is not designed to raise prices above long-term market trends. It will encourage producers to restore adequate production levels. Although world consumption is expected to decline in the next few years—with the largest decline in the United States—it is still expected to exceed production and result in a continued drawdown of world stocks. The major operating mechanism of the new ICA is a provision for export quotas whenever supplies are in surplus. Export quotas will be introduced when prices drop to a predetermined level but suspended when prices rise sharply. Because current prices are high, it is not expected that quotas will be imposed until possibly 1979.

Two-thirds of the exporting and importing countries alike who were party to the negotiations must ratify the Agreement before October; however ratification can be extended to December 1976. During the third year of the Agreement, each member must specify its intention to continue participation or it automatically ceases to participate on October 1, 1979. Thus, the United States has an opportunity to review its continued participation at the agreement's mid-point.

The Agreement should increase the export earnings of the developing countries and offer them additional incentives to supply available coffee to the markets of consuming-country members. Coffee is the largest nonpetroleum export of the developing world.

The ICA is the second new commodity arrangement the United States has agreed to sign; the first was the tin agreement. The United States did not sign the recent cocoa agreement. In principle, the United States has rejected international price-fixing arrangements because they may distort the market, restrict production, and waste resources. The United States has considered commodity agreements on a case-by-case basis to reduce price instability while increasing long-term growth in supply and demand of particular commodities on a basis which takes into account consuming as well as producing country interests.

The United States also ratified the 2-year extension of the International Wheat Agreement. The Agreement contains no price or other economic provisions. It provides a forum for consultation on major trade issues and the collection and exchange of wheat trade data. It also provides for a food aid program for the world's poorer countries.

International Agricultural Development Fund Delayed

Countries interested in forming the International Agricultural Development Fund (IFAD) held a 4-day plenipotentiary conference in early June. The IFAD would help finance agricultural development projects, primarily for food production in the developing countries. Due to differences between the donor groups, the meeting ended with the signing of the Agreement being delayed. Some \$931 million—\$531 million from industrialized countries and \$400 from the Organization of Petroleum Exporting Countries (OPEC)—was pledged at the Rome meeting; however, the pledges fell short of the \$1-billion target needed to open the Agreement for signature. Conditions were placed on the pledges by both groups. The United States—the largest donor with a \$200 million pledge—and some other traditional donors' contributions are conditioned upon the target being met and upon a

rough parity of contributions by the OPEC countries. The \$400-million OPEC pledge is conditioned upon industrialized countries contributing the remaining \$600 million. OPEC's contribution is part of its \$800-million special fund to aid poor countries.

The Articles of Agreement for the Fund provide that the Agreement will not be opened for signature until firm pledges total \$1 billion and that the Agreement will not come into force until \$750 million in contributions have been received.

Based on the latter provision, the Fund could enter into force before the target is met. Two other

possibilities that could activate the Fund are individual OPEC countries making contributions in addition to their pledge through the OPEC special fund or the two donor groups agreeing to open the Agreement for signature at a figure somewhat less than \$1 billion. A Preparatory Commission which was established to make the necessary arrangements to enable the Fund to begin operations convened in September. Arrangements for setting up the Fund—which will be established as an autonomous, specialized U.N. agency—are being organized under the auspices of the World Food Council. (*Barbara S. Blair*)

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